

NOS. 22489 and 22489A

IN THE UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

FRIEND AND COMPANY, a corporation,
and WILBER H. FRIEND,

Defendants-Appellants,

vs.

H. A. FRIEND AND COMPANY, INC.,

Plaintiff-Appellee.

BRIEF ON BEHALF OF APPELLANTS
FRIEND AND COMPANY AND
WILBER H. FRIEND

APPEAL FROM
THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

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STATEMENT OF THE PLEADINGS
AND JURISDICTION

The two Appeals Nos. 22489 and 22489A correspond with Civil Actions Nos. 64-850-WPG and 66-470-WPG, respectively, filed in the United States District Court for the Central District of California, and consolidated for trial. The first of these actions (Appeal No. 22489) was commenced on June 17, 1964 by plaintiff-appellee filing its Complaint (Ct 2) ^{1/} alleging

^{1/} In this brief the following reference terminology is used:
Ct for pages of the Clerk's Transcript; Rt for pages of the Reporter's Transcript of trial proceedings; Exh. for trial exhibits, the plaintiff's exhibits being identified by numbers, the defendants' exhibits by letters; Adm. for Admission; Int. Ans. for Interrogatory Answer.

jurisdiction under the provisions of the Federal Trademark Law of 1946 (15 U.S.C. 1050), and upon the ground of diversity of citizenship between plaintiff and defendants wherein the amount in controversy was alleged to exceed the sum of \$10,000, exclusive of interest and costs. The said Complaint was set up in six causes of action, the first four of which were for trademark infringement and unfair competition based on allegations of infringement of alleged trademarks "Friends" and a registration for it, No. 655,848, issued December 17, 1957 (Exh. 1); and "Barrister Bond" and "Banner". The said original complaint did not allege any registrations for either "Banner" or "Barrister Bond", as there has never been a registration for "Banner", and the registration for "Barrister Bond" No. 274,875, issued September 9, 1930 (Exh. 2) was at all times involved in this suit up to the commencement thereof, owned by Gilbert Paper Company. The Fifth Cause of Action is for breach of a written contract dated December 31, 1948 (Exh. 14) and the Sixth Cause of Action is for misappropriation of trade secrets and unjust enrichment.

The original complaint was followed by an Amended and Supplemental Complaint filed August 13, 1965 (Ct 134) containing substantially the same six causes of action with some amendments, a notable one of which is an allegation of ownership of the Barrister Bond registration No. 274,875. But there is no evidence in the case of plaintiff-appellee's ownership of it as of August 13, 1965.

The issue is raised in the Second Amended Answer, filed

August 25, 1967 (Ct 148) containing a counterclaim for cancellation of Registration Nos. 655,848 and 274,875, jurisdiction being based on 15 U.S.C. §§ 1119 and 1121.

The First Amended Reply to counterclaims was filed July 27, 1967.

The second suit (Appeal No. 22489A) for misrepresentation, untrue statements and false advertising of stationery goods was commenced by the filing of a complaint (Ct 221) presented as a single cause of action, on March 16, 1966, in which jurisdiction was invoked under the Lanham Trademark Act of 1946, and on the ground of diversity of citizenship. This was followed by the filing on July 27, 1966 of a Second Amended Complaint (Ct 291) in which three causes of action were alleged, the first for false representations under the Lanham Trademark Act of 1946, the second differing from the first in that the false advertising is designated as unfair competition and with jurisdiction alleged on the ground of diversity of citizenship as well as under the Lanham Trademark Act, and the third differing from the second in substituting the term "untrue statements" for the term "false advertising".

The Answer to this Second Amended Complaint (Ct 304) was filed August 22, 1966.

The District Court entered its Memorandum of Decision of both cases on December 5, 1967 (Ct 461) containing its findings of fact and conclusions of law and also on December 5, 1967 entered its judgment thereon (Ct 479) granting an injunction and

an award of damages and attorneys' fees in favor of the plaintiff. On January 3, 1968, within thirty days following the entry of the judgment, the defendants-appellants filed their Notice of Appeals in the two cases (Ct 501) and an appeal bond and an Amended Designation of Record on Appeal (Ct 511).

The plaintiff filed its notice or cross-appeals (Ct 506) in the two cases from those portions of the judgment which permit defendants' limited use of the word "Friend" and which failed to award the defendants' profits to the plaintiff.

Jurisdiction of this Court is invoked under 15 U.S.C. §1121.

THE PARTIES

The personalities involved in these suits are four brothers named Friend, all of whom had been, for a period of time prior to the year 1949, together with their father Harley A. Friend who died in 1959, partners in the partnership named H. A. Friend and Company located in Zion, Illinois.

The plaintiff-appellee, H. A. Friend and Company, Inc., an Illinois corporation located in Zion, Illinois, is a successor of the partnership named H. A. Friend and Company, and its sole owners, officers and directors are the three youngest of the brothers, namely, Richard (born 1916), Howard (born 1919) and William Friend (born 1923) (Adm. 1, Ct 72). The plaintiff corporation contends that "Friends", "Barrister" and "Banner"

are trademarks which it owns, and which have been infringed by defendants-appellants.

Defendant-appellant Wilber H. Friend, nicknamed "Web", the eldest of the four brothers (born 1910) is the sole proprietor of the individual proprietorship, Friend Paper Company, and is the principal owner and officer of defendant-appellant Friend and Company, a California corporation. They have their place of business in Pasadena, California.

CONCISE STATEMENT OF THE CASE

In the first case (Appeal No. 22489), the Complaint complains of defendants-appellants' use of the business names Friend and Company, Friend Paper Company, and the word "Friend" or "Friends", "Barrister", "Banner", on or in connection with the defendants' stationery products, and alleged misappropriation of plaintiff's trade secrets, such as customer lists and materials.

After commencement of preparation of a pre-trial conference order in the first case, the plaintiff-appellee filed its second suit, Civil Action 66-470-WPG, alleging misrepresentation by the defendants-appellants of the cotton fiber content of some of their stationery products in their promotional material to customers.

The first suit arises from relationships and acts of two central figures, Harley A. Friend and his eldest son Wilber H. Friend, over approximately two decades, from the early 1930's to 1949 when Harley A. Friend was in control of H. A. Friend

and Company (as its sole proprietor up to 1941 [plaint's Adm. No. 5, Ct 74] [Wilber Friend Rt 308, 310, 311], and as the controlling partner of the partnership H. A. Friend and Company from 1940 on [Rachel Paxton dep. p. 1; p. 4, line 12 - p. 5, line 2; p. 9, line 9 - p. 10, line 10, Exh. 304, also marked Exh. AZ; Rt 212 and 430]); although Wilber H. Friend had the title of general manager after 1940 [Rt 311], Harley was "the boss" and "ran the place" (Paxton Dep. pp. 1, 4, 5, 9, and 10 above).

The evidence shows that none of the three brothers, Richard, Howard or William Friend was present during any discussions between Harley and Wilber Friend significant to this case and that they have no personal knowledge of pertinent events, acts or relationships prior to 1949, nor of such accommodations as had been arrived at between Harley and Wilber Friend by which their differences were laid to rest since 1948. The first of the two suits was commenced after Harley's death some 15 years or more after the acts complained of in the Complaint which was based on events or acts as to which Harley Friend had been informed and alerted as early as 1948.

Facts pertinent in these appeals are as follows:

In 1908 Harley A. Friend together with Joseph Friend, who was Harley's father, and a person named J. A. Friend, who was no blood relative of Harley or Joseph Friend, formed a partnership of the name "Friend Brothers", which engaged in an office supply business in Zion, Illinois; the name "Friend Brothers" being a misnomer as none of its partners was a brother

of any other (Par. 27, Pretrial Conf. Order Ct 452). This "Friend Brothers" partnership went out of business in or about 1912. After working for several years as an employee of another company, Harley Friend commenced as sole proprietor a stationery and office supply business in Zion, on about 1918 to 1920, with the name H. A. Friend and Company, which was the original predecessor of H. A. Friend and Company, Inc.

In the latter part of the 1920's defendant-appellant Wilber H. Friend became employed part-time by his father in the H. A. Friend and Company business, which employment became full-time around 1930, after he left school; and in 1941 Harley, Wilber, Richard and Howard Friend formed a partnership with the same name H. A. Friend and Company as successor to Harley's sole proprietorship, and William later became a partner in about 1945. The partnership consisting of the four brothers and their father continued until December 31, 1948, when it was dissolved following a dispute between Wilber Friend and Harley Friend. This dissolution was embodied in a written agreement dated December 31, 1948 (Exh. 14) of which the only parties were Harley Friend and Wilber Friend, and by which Wilber Friend withdrew as a partner and assigned to Harley Friend all of Wilber's interest in the partnership in consideration of a sum of money to be paid by Harley to Wilber Friend. There is no evidence that Harley Friend ever assigned to H. A. Friend and Company the interest he purchased from Wilber Friend.

Subsequent to December 31, 1948 the business of H. A.

Friend and Company was continued under the same name, as a partnership consisting of Harley A. Friend and the three younger brothers Richard, Howard and William Friend, until the formation of the plaintiff corporation H. A. Friend and Company, Inc. in 1961 which became the successor to the previous partnership H. A. Friend and Company, and the assignee of its business (Pltf's Adm. No. 29, Ct 80).

In the early 1930's appellant Wilber H. Friend, while employed by his father at H. A. Friend and Company, formed the entity named "Friend Paper Company" which at all times has operated as a wholesale paper merchant, buying stationery paper from paper mills and reselling it to customers in the retail business.

Wilber H. Friend, from the commencement of Friend Paper Company, considered it and operated it as his sole proprietorship, and has testified to this effect (Rt 38, 301, 302) and also that his father knew of it, discussed it with him, and was willing to do business with him (Rt 311). Plaintiff-appellee does not dispute that Friend Paper Company has been the sole proprietorship of Wilber H. Friend since the partnership dissolution on December 31, 1948, but asserts, contrary to the position of Wilber H. Friend, that prior to December 31, 1948 the Friend Paper Company was in reality a part of the partnership H. A. Friend and Company and the earlier sole proprietorship of the same name, and that Wilber H. Friend was operating it on behalf of H. A. Friend.

Friend and Company was continued under the same name, as a partnership consisting of Harley A. Friend and the three younger brothers Richard, Howard and William Friend, until the formation of the plaintiff corporation H. A. Friend and Company, Inc. in 1961 which became the successor to the previous partnership H. A. Friend and Company, and the assignee of its business (Pltf's Adm. No. 29, Ct 80).

In the early 1930's appellant Wilber H. Friend, while employed by his father at H. A. Friend and Company, formed the entity named "Friend Paper Company" which at all times has operated as a wholesale paper merchant, buying stationery paper from paper mills and reselling it to customers in the retail business.

Wilber H. Friend, from the commencement of Friend Paper Company, considered it and operated it as his sole proprietorship, and has testified to this effect (Rt 38, 301, 302) and also that his father knew of it, discussed it with him, and was willing to do business with him (Rt 311). Plaintiff-appellee does not dispute that Friend Paper Company has been the sole proprietorship of Wilber H. Friend since the partnership dissolution on December 31, 1948, but asserts, contrary to the position of Wilber H. Friend, that prior to December 31, 1948 the Friend Paper Company was in reality a part of the partnership H. A. Friend and Company and the earlier sole proprietorship of the same name, and that Wilber H. Friend was operating it on behalf of H. A. Friend.

It appears that paper mills are reluctant to sell paper directly to retailers such as H. A. Friend and Company (although the mill, Gilbert Paper Company, did sell direct to H. A. Friend and Company for a period of time [Pltf's Adm. 6, Ct 193]), and prefer to sell only to wholesalers from whom retailers must buy. Defendant-appellant understands the plaintiff-appellee's position to be that at the time in the early 1930's when H. A. Friend and Company was the sole proprietorship of Harley A. Friend, he caused Friend Paper Company to be formed as a "front" to create the appearance to those outside of H. A. Friend and Company that Friend Paper Company was a wholesale paper merchant separate from H. A. Friend and Company, in order to induce paper mills to sell directly to Friend Paper Company, and that Wilber Friend was simply performing one of the duties of his position as his father's employee in buying the paper from the mills and billing his father only what the mill charged him.

Regardless of where the ownership of Friend Paper Company lay, the facts are that Wilber H. Friend caused the name Friend Paper Company to be listed annually as a paper merchant in Lockwood's Directory for the Paper and Allied Trades (which is the principal trade journal for the stationery paper industry), in which paper manufacturers and wholesale paper merchants may list by mark or name the papers which they have available for sale (pp. 4-8 of Exh. B).

Beginning in the 1930's, Friend Paper Company has been listed annually in the said Lockwood's Directory (Rt 325, 326).

Exh. B, pages 4-18 comprise title pages with pages of the Lockwood's Directory of 1936, 1948, and 1964, respectively, which are examples of the annual directory. These exhibits show listings by Friend Paper Company of "Barrister Bond" (p. 708, 1936 Directory; p. 851, 1948 Directory; and p. 1138, 1964 Directory), and of "Friends" (p. 776, 1936 Directory; p. 919, 1948 Directory; p. 1178, 1964 Directory), and of "Banner Bond" (p. 850, 1948 Directory; p. 989, 1950 Directory; p. 1187, 1964 Directory).

From the early 1930's to the present time Wilber H. Friend operating as Friend Paper Company has ordered paper from paper mills for which he paid the mills from his own bank account under the name Friend Paper Company, and sold it to customers who paid him, as Friend Paper Company, for what they bought (Rt 318, 319). Up to the spring of 1949 most of the sales of Friend Paper Company were made to H. A. Friend and Company, which paid Friend Paper Company for them. Richard Friend, the plaintiff's president, confirmed these facts (Richard Friend dep. pp. 43, 44, 46, Exh. BH).

In reselling the paper to H. A. Friend and Company and other customers, Friend Paper Company applied a mark-up, thereby realizing a profit, and the income tax returns of Wilber H. Friend since the inception of Friend Paper Company reported his profits from the Friend Paper Company (Exh. A).

After the withdrawal of Wilber H. Friend from the partnership on December 31, 1948, he remained in the employ

of the new H. A. Friend and Company partnership at his father's request for a period of about the first three months in 1949 (Rt 36) during which time H. A. Friend and Company continued to buy its requirements of paper from Friend Paper Company as shown by Friend Paper Company's receipt of orders from H. A. Friend and Company and orders to Gilbert Paper Company for paper (Exh. X).

THE TRADEMARKS IN SUIT

During the 1920's and prior to the time when Wilber Friend first started working for his father, H. A. Friend and Company had been handling a number of types of stationery paper. Among these were unwatermarked papers referred to in advertising as "The Banner Line", and other papers which contained watermarks, including "Barrister Bond". Defendants-appellants contend that they were the first to use "Friends" as a trademark, and the Court of Appeal did not decide this point. In the 1930's when Friend Paper Company was formed, and through the 1940's, it was not apparent that H. A. Friend and Company owned the exclusive right to use any of these marks.

THE FRIEND'S MARK

Wilber Friend's first use of the word "Friends" as a watermark occurred in 1934 when he caused Valley Paper Company, a paper mill from which Friend Paper Company was purchasing, to make up a dandy roll with "Friends" on it for

impressing the watermark "Friends" on the paper (Rt 328). Following this, Friend Paper Company purchased its requirements of "Friends" watermarked paper from Gilbert Paper Company, and has continuously been purchasing and selling to its customers paper watermarked "Friends" from 1934 to the time of this suit, most of these sales having been made to H. A. Friend and Company until the spring of 1949, and after 1949 to Friend and Company in Pasadena, California, which resold it to its customers as discussed hereinafter. During discovery, plaintiff-appellee admitted that its earliest known use of "Friends" as a trademark is that represented by the brochure Exh. 10 which was published about 1938 (Rt 29).

THE BANNER BOND MARK

The mark "Banner" or "Banner Bond" has never been a watermark on a paper in the business of defendants-appellants Friend Paper Company or of Friend and Company, nor of H. A. Friend and Company at least up to the year 1949. Paper marked "Banner" or "Banner Bond" has been carried and used by many companies for a great many years and many companies have listings of it in Lockwood's Directory (Exh. B). For example, the 1926 edition of Lockwood's Directory shows several companies other than plaintiff or defendants, including Bradner Smith and Company of Chicago, listing their paper marked "Banner" (pages 2 and 3 of Exh. B). Bradner Smith and Company, a paper merchant located in Chicago, Illinois, has been handling paper marked

"Banner" ever since a time prior to the formation of H. A. Friend and Company in about 1920 (Bauder and Berg depos.; Exh. BD and BE). Plaintiff has no trademark registration of "Banner" or "Banner Bond", although it has, since the filing of the suit, applied for a registration of it in the U. S. Patent Office; and defendants have opposed the application to register it.

After defendants' move to California, unwatermarked paper supplied by Blake, Moffit and Towne in Los Angeles in boxes marked Banner has been used, as discussed hereinafter.

"BARRISTER BOND"

On May 13, 1930, Gilbert Paper Company of Menasha, Wisconsin, the paper mill from which most of the papers were acquired by Friend Paper Company and used by H. A. Friend and Company, had applied to register "Barrister Bond", and while the application was pending, assigned it to Southworth Company of Mittineague, Massachusetts, to whom registration No. 274,875 for "Barrister Bond", in suit, issued on September 9, 1930 (Exh. 2) and its file history in the Patent Office (Exh. E) shows that Gilbert recorded in 1948 an assignment, bearing a date in December, 1930, of it from Southworth to Gilbert, following which the Patent Office republished the registration, and later renewed it, to Gilbert. It was stipulated that this re-assignment from Southworth to Gilbert occurred on December 26, 1930 (Rt 371).

In 1935, Gilbert Paper Company offered in a letter (Exh. G) to sell to Friend Paper Company, Gilbert's "Barrister Bond"

dandy rolls and all of Gilbert's rights in the "Barrister Bond" mark in consideration of Friend Paper Company reimbursing Gilbert for its disbursements. Wilber Friend did not accept Gilbert's offer to purchase the mark in 1935 (Rt 350), but continued to buy "Barrister Bond" paper from Gilbert until 1949.

On January 19, 1949, Wilber H. Friend, after his withdrawal from the partnership, and in his capacity as proprietor of Friend Paper Company, sent a letter (Exh. H) to Gilbert Paper Company requesting exclusive rights to the Barrister Bond mark. This culminated in Gilbert's invoice to Friend Paper Company dated January 21, 1949 (Exh. I) by the written terms of which Gilbert sold to Friend Paper Company exclusive rights to use of the mark "Barrister Bond", subject to Friend Paper Company continuing to purchase all papers so marked from Gilbert, this sale being effective upon receipt from Friend Paper Company of \$400 which was paid by Wilber H. Friend to Gilbert (Rt 286-288). The cancelled check (Exh. J) includes the \$400 (Rt 357, 358). Gilbert thereafter continued to sell paper watermarked "Barrister Bond" to Friend Paper Company for a short time up into the spring of 1949 as evidenced for example by Gilbert's invoice dated March 1949 (Exh. J).

Pursuant to the terms of the invoice Exh. I, made effective by the \$400 payment, Wilber Friend as Friend Paper Company employed his attorneys, Brezina and Buckingham, to prepare a formal outright assignment of the "Barrister Bond" registration No. 274,875 from Gilbert to Friend Paper Company, suitable for

recording in the U. S. Patent Office, as appears from correspondence (Exh. K) in February and April of 1949 between Friend Paper Company and the firm of Brezina and Buckingham and the latter's related Trademark Title Company.

Execution and delivery of such formal assignment would have eliminated the requirement for Friend Paper Company to buy its "Barrister Bond" marked paper from Gilbert, but under the written terms of the invoice provision it would have required an additional payment of \$400 by Friend Paper Company. Such formal assignment free from the requirement to purchase only from Gilbert, was never executed by Gilbert Paper Company for reasons appearing hereinbelow, and accordingly Friend Paper Company never paid the additional \$400 to Gilbert, beyond the first \$400 which is still in the possession of Gilbert. Later, in April 1949, Gilbert requested Friend Paper Company to relinquish the exclusive rights to "Barrister Bond", which Friend Paper Company had obtained by its \$400 payment, and offered to return the \$400 by sending to Friend Paper Company a check in the amount of \$400 (Exh. L); but Friend Paper Company did not accept the repayment check and did not agree to termination of the assignment (Rt 372, 373). Gilbert never brought any action to rescind the agreement of January 1949. But Gilbert did thereafter decline to furnish any more paper bearing the watermark "Barrister Bond" to Friend Paper Company, and Gilbert then did commence supplying paper watermarked "Barrister Bond" directly to H. A. Friend and Company.

Gilbert's refusal to abide by its invoice agreement of January 1949 with Friend Paper Company was caused by interference from Harley A. Friend. Correspondence in the latter part of 1948 and the first part of 1949 shows that Harley A. Friend was concerned about his position in respect to the several water-marked papers manufactured by Gilbert and being sold by H. A. Friend and Company which had been acquiring it from Friend Paper Company. Evidence of this concern appears in the letter dated October 7, 1948 from Gilbert to H. A. Friend and Company (Exh. M) calling Harley Friend's attention to his apparent confusion about the status of the several watermarks, including "Barrister Bond". Gilbert's position stated in that letter was that it had originally given to H. A. Friend and Company the use of the "Barrister Bond"-marked paper only in Illinois and the three states contiguous thereto, and that later Wilber Friend had been given its use in "a somewhat wider range". Gilbert's letter does not clarify whether these "uses" were exclusive or non-exclusive, but even if Gilbert did mean "exclusive", it is apparent that Gilbert implied no more than its intention that no Barrister Bond be sold to anyone else at the retail level in the designated territories (since Gilbert had not made any agreement with any of the Friend family or for any consideration), and also that the territories in question were limited to the mid-west in the general vicinity of Illinois.

During the discussions between Harley and Wilber Friend leading to the December 1948 agreement (Exh. 14), Wilber

informed his father of his intention to move either to the east or west coast (Rt 342), and also of Wilber's intention to continue the business of Friend Paper Company and with that name, after the partnership dissolution (Rt 341) and requested his father to continue giving Friend Paper Company the H. A. Friend and Company business (Rt 339). Wilber further testified of having told his father at that time of Wilber's intention to enter into the retail part of the business as well (Rt 340); and of a discussion between them to the effect that one of them would have the privilege of buying out the other and that the one bought out would have the privilege of starting up a retail business even across the street if he wished (Rt 340); and that Harley expressed his lack of interest in the east or west coasts (Rt 343); and also of having informed his father of his intention to use the name "Friend and Company" for the retail business and of displaying to him a sketch of a letterhead of "Friend and Company" (Rt 341); and that Harley made no comment when informed of Wilber's intention to continue the Friend Paper Company business and to commence the Friend and Company business (Rt 341).

There is correspondence in 1949 evidencing Harley Friend's knowledge of Wilber's intention to go into the retail business on the east or west coast and with the watermarks involved herein (Gilbert's letter of April 19, 1949 to Harley, and Harley's letter to Gilbert of April 20, 1949, Exh. N), and that Harley was aware of listings in Lockwood's Directory in connection with marks Friend Paper Company was using (Gilbert's

letter to Harley Friend of October 7, 1948, Exh. M).

By the agreement (Exh. 14) of December 31, 1948, Wilber conveyed to Harley Friend all Wilber's share of the assets, business and good will of the partnership, but the agreement is silent as to whether any trademarks or watermarks were assets or owned by the partnership or by anyone else. Neither was there any reference to Friend Paper Company nor any provision requiring any change in the business or name or products of Friend Paper Company.

Plaintiff-appellee has admitted that Wilber Friend has the right to continue the business of Friend Paper Company and with that same name after 1948 (Pltf's Adm. No. 12; Ct 76, Int. Ans. 13; Ct 125-127). Similarly, Richard Friend, plaintiff's president, conceded the right of Wilber Friend to continue Friend Paper Company (Exh. BH, p. 51, line 25 to p. 52, line 22; Rt 449) in his own choice of words: "When he left the firm he was given the name of Friend Paper Company to use." (It is defendants-appellants' position that Wilber did not need to have the name "given" to him, because he already had it.) In his testimony Richard Friend stated that he assumed that after 1948 Wilber was doing some kind of paper business as "that was what he knew and he would follow the profession", and also that he had never objected to Wilber's use of the name Friend Paper Company prior to 1963 in the line of wholesale paper. Actually he had not made objection to any kind of paper business of Wilber Friend.

Plaintiff's trial witness William Friend, the Company's

secretary, testified (Rt 544) that he knew around March of 1949 that Wilber was going to California, and that by the latter part of 1949 knew he was going into a paper business and that Wilber still carried his post office box in Zion, Illinois and "being that he said he owned Friend Paper Company, I presumed he was going into the wholesale type of business". When asked by the Court, "In the early 50's you knew he was in the paper business in California?", he answered, "Right, your Honor", and the witness further stated, "The only knowledge I had was that he was in the wholesale paper business", to which the Court asked, "That was your assumption?" and the witness answered "Yes" (Rt 545, 546).

Wilber Friend, while continuing to operate the Friend Paper Company, carried out his plan in 1949 to start up a retail stationery business similar to that of H. A. Friend and Company, on the west coast, that is, the thirteen far western states plus western Texas, as he had previously informed his father. Although nothing in the partnership dissolution agreement required this move, Wilber Friend's obvious reason for it was that he would not find on the west coast any substantial competition with H. A. Friend and Company, whose business was almost entirely in the mid-west. Its total active customers number about 6800, excluding those which have dropped out or become inactive as customers (Pltf's. Ans. to Int. 7, Ct 326). Not much more than about a hundred of these would be located in the far western states in view of the fact that the total of its customers in the far

western states, including all those who have ever discontinued as customers and including the entire state of Texas (most of which is not in the far west area served by the defendant) amounts only to about 184 (from ledger sheets, Exh. AJ and Int. Ans. 4, Ct 325). In California for example, the total of their customers, including past and inactive ones, is about 20 of which about 15 are presently active (Pltf's. Int. Ans. 3, Ct 325).

Wilber Friend bought property in Pasadena, California in 1949 for the establishment of his retail stationery business named Friend and Company, for exploitation only in the far west states of California, Arizona, Nevada, Oregon, Washington, Montana, Idaho, Utah, New Mexico, Colorado, Wyoming, Hawaii, Alaska and the western part of Texas (Lubbock, Amarillo and El Paso) where H. A. Friend and Company was virtually unknown. (Friend Paper Company, however, continued to sell to other areas including the mid-west, as previously.) At the same time he moved his Friend Paper Company business from Zion, Illinois to Pasadena, leaving in Zion only the unnamed post office box of Friend Paper Company, the purpose of which was to enable Friend Paper Company to continue to buy its requirements of stationery paper from mills located in the mid-west as had been done since the 1930's. An agent employed for the purpose took the mail from the box from time to time and readdressed it to the Pasadena office.

Documentary evidence shows that Harley Friend was kept fully informed by Gilbert Paper Company (Gilbert's letter of

April 19, 1949, Exh. N) of Wilber's intention to advertise and sell "Barrister Bond" paper in the far west, and that Wilber had purchased rights to use "Barrister Bond" from Gilbert (letter of May 4, 1949, Exh. N, Harley Friend's reply to Gilbert of April 20, 1949, Exh. N).

It was not until Gilbert's letter to H. A. Friend of October 13, 1955 (Exh. Q) that Gilbert ever offered to H. A. Friend and Company any rights to use "Barrister Bond" beyond the states contiguous to Illinois, and that letter made the offer of exclusive rights to H. A. Friend and Company for an indefinite period, subject to the purchase of more than 25,000 pounds of it per year from Gilbert, with the further right of an absolute assignment of the mark for the price of \$600 in the event of future disagreement between them. This offer was not accepted by H. A. Friend and Company, and in any event would have been subject to such rights as had been purchased in 1949 by Friend Paper Company from Gilbert.

After Wilber Friend's move to California, Gilbert continued to sell to Friend Paper Company all the watermarked papers previously sold to it, excepting that in view of H. A. Friend and Company's objections, it refused to apply the "Barrister Bond" watermark to the paper previously furnished with that watermark. Instead, Wilber Friend was obliged to accept Gilbert's offer to apply the watermark "Bar-Bond". Based on his belief that he had bought from Gilbert at least the right to use the mark "Barrister Bond" for the \$400 which he had paid Gilbert under the 1949

invoice (Exh. I) and also that H. A. Friend and Company did not own any exclusive rights to use "Barrister Bond", Wilber Friend boxed his "Bar-Bond" paper, which was identical to that previously marked "Barrister Bond", in boxes labeled "Barrister Bond", and sold this to Friend and Company which then re-sold it to law firm customers. Gilbert never objected to this although it was made aware of the fact that Friend Paper Company was using the term "Barrister Bond" in referring to this paper (Schmerein dep. pp. 44-45, Exh. BK).

Gilbert never refused to sell to Friend Paper Company any paper watermarked "Friends" and accordingly the Friends paper continued to be handled and sold and delivered to Friend and Company which resold it to customers.

After moving to California, Friend Paper Company obtained its requirements of the unwatermarked paper marked "Banner Bond" from Blake, Moffit and Towne, a wholesale paper merchant in Los Angeles. Black, Moffit and Towne is one of the several firms listing the availability of paper marked "Banner" in Lockwood's Directories, for example, the 1948 and 1964 Directories (Exh. B).

Friend Paper Company continued to sell its products to others than Friend and Company, as it had previously sold to others than H. A. Friend and Company prior to moving to California.

Commencing in 1950 Wilber Friend built up the business of Friend and Company from zero volume to a sales volume of

about \$343,000 for the year 1966 (Exh. AI). This buildup involved a major plant investment beginning in 1950 and continuing during the '50's (Rt 438, 439). This buildup of the Friend and Company business is shown year by year by the chart (Exh. AK attached hereto as Appendix I) made from these sales figures.

The ledger sheets of H. A. Friend and Company (Exh. AJ) show that its dollar sales in the same western states where Friend and Company sells, have never been significant. From 1941 through 1949 and into the 1950's it amounted to about \$1,000 or less annually, and although there was a slight increase after the mid '50's, it never reached as much as \$10,000 and was never significant as compared with Friend and Company's business or with the plaintiff's total business. H. A. Friend and Company's sales performance, prepared from these business records (Exh. AJ) is shown on the chart (Exh. AK) and shows graphically the relative insignificance of their western state business.

In 1956, Howard Friend, the vice president of the plaintiff while on a trip to California, stopped twice at the office of Friend and Company at 55 West Green Street, Pasadena, and walked through the front door of Friend and Company which opens from the sidewalk. The glass door of the Friend and Company office building contained thereon at the time of Howard Friend's visit, the name "Friend and Company". Exh. AD is a photograph of this door and Exh. AE is a photograph of the same door with a sheet of cardboard placed on the inside of the door back of the name "Friend and Company" to make the name stand out better

in the photograph. This name "Friend and Company" was placed on the door in 1949 and was there unaltered until after the filing of this suit and after a deposition of Wilber Friend taken by plaintiff-appellee in March 1965 behind the same door with the name on it (Wilber Friend, Rt 398-400, Montoya dep. Exh. BJ, p. 4, lines 9-24 and p. 13, lines 10-20, Rt 455).

On April 3, 1957, the law firm of Lycette, Diamond and Sylvester in Seattle, sent a letter (Exh. AF) to H. A. Friend and Company, Zion, Illinois, which states:

" . . . that we received a letter advising of the opening of an office at 55 West Green Street, Pasadena, California"

and also,

"In referring back to our files, I note that the name of the company in Pasadena is 'Friend and Company', whereas your Zion firm is known as 'H. A. Friend and Company'. Perhaps we became confused in thinking the two companies were one and the same. Are we correct in assuming that the Pasadena firm is an affiliate of yours or a branch of your company?"

On April 5, 1957, H. A. Friend and Company sent a letter (Exh. AG) in reply to Lycette, Diamond and Sylvester, signed by Harley Friend, which contains the statement,

"We are in receipt of your nice letter of the 3rd and are sorry to know any firm would follow such

a line of duplicity. However, several other customers of ours on the coast write us in this same manner

"We greatly appreciate your letter giving us this information."

Neither Harley Friend nor anyone else ever complained about the name "Friend and Company" or any other matter until August, 1963 when the firm of Brezina and Buckingham, who filed the present suit, sent its letter (Exh. AL) expressing the objections to the use of "Friend and Company" and "Friend".

The second suit is based on discrepancies discovered by plaintiff during pendency of the first suit, in Friend and Company's 1955 and 1964 catalogs (Exh. 84 and 85) and 1961 and 1964 price lists (Exh. 86 and 87). In January 1966 plaintiff's counsel called the attention of defendants' counsel to the fact that some of the papers and envelopes being sold by Friend and Company were of less fiber content than described in the catalogs. Wilber Friend conceded this to be true and stated that it arose from the fact that about a year after the 1955 catalog he changed the cotton fiber content of some of the papers he carried and that when the 1964 catalog was printed, the discrepancy was inadvertently overlooked (Rt 103, 436). In January 1966 he corrected his current price list (Exh. 87 and AS) which perpetuated the error by appropriate blanking-out of the parts containing the error (Exh. AS) and in Friend and Company's most recent price list (Exh. AT), no such errors appear (Rt 421).

It is noted that the last catalog (Exh. AT) omits items complained of by the plaintiff such as reference to "1908", "Western Division" and "Zion".

THE MEMORANDUM OF DECISION
OF THE DISTRICT COURT

The Memorandum of Decision constitutes findings of fact and conclusions of law (Ct 478).

In this Memorandum (Ct 461) the District Court held: that in 1920 Harley Friend was the principal owner of H. A. Friend and Company (Ct 462); that it was H. A. Friend and Company which had caused the formation of Friend Paper Company which bought paper directly from Gilbert and sold it to the Company; that almost from its inception, the "business" of Friend Paper Company was conducted solely by Wilber, partly at his office in the headquarters of the Company with the clerical assistance of Company personnel, and partly at his home (Ct 463); that in the latter part of 1948 Wilber withdrew from, or was removed from, the Company, and his capital interest therein, including good will, was purchased by his father, and that the partnership which had included Wilber was actually dissolved on December 31, 1948 followed by the formation of a new partnership without Wilber (Ct 464, 465); that by about 1948 the Company had compiled addressograph plates bearing the names of more than 1500 lawyers and law firms in the western states and sent them a promotional brochure (Ct 465); and that in the early spring of 1949, Wilber

announced to his father and brothers his intention of moving to Pasadena, California, and engaging in the business of buying and selling paper at wholesale under the name Friend and Company and that Wilber's former partners expressed no objection to this (Ct 465).

The Memorandum referred to the 1955 and 1964 catalogs of Friend and Company (Exh. 84 and 85 respectively) and the Court criticized what it referred to as misrepresentations in the catalogs and mailings in the use of the term Western Division and of a map indicating "General Offices" at the location of Zion, and reference to the year "1908"; that these catalogs were fraudulently designed to create the impression that Friend and Company was a division of H. A. Friend and Company (Ct 466, 467); and that Wilber had tried to appropriate the good will of his father's company in western states (Ct 468).

The Memorandum held that whether Wilber Friend knew it or not, he was operating the Friend Paper Company as a fiduciary representation or a constructive trustee of H. A. Friend and Company prior to 1949; and that Wilber made no disclosure to his father or his brothers that he was using Friend Paper Company for his own benefit (Ct 471); that the understanding of Harley and the three brothers was that Wilber was operating Friend Paper Company as principal manager of H. A. Friend and Company; that such understanding was encouraged by Wilber; that Wilber acquired no individual rights in or to any of the trademarks "Friends", "Barrister" and "Banner" with which he was dealing

while he was affiliated with H. A. Friend and Company; and that insofar as the parties to this action are concerned, the entire rights in and to such trademarks remain in the plaintiff (Ct 471).

The Memorandum holds, however, that because none of Wilber's former partners raised any objection to his use of the name Friend Paper Company in 1949, when they knew about it, Wilber Friend should not be prevented from using the name Friend Paper Company in connection with the selling of paper at whole-sale to stationers and other retailers (Ct 475, 476).

The Court held that the defendants have infringed on the marks "Friends", "Barrister" and "Banner" and have created confusion and that the "Friends" trademark registration No. 655, 848 is valid and subsisting insofar as the parties are concerned, and that plaintiff has been using it for many years; that plaintiff has been using its trademark "Banner" for many years and has applied to register it and that defendants have no right to use it nor oppose plaintiff's application to register it, and that H. A. Friend and Company had been using the "Barrister Bond" mark ever since prior to 1926 while it was owned by Gilbert Paper Company during which time Gilbert held it in trust for plaintiff until an assignment of it in January 1965 (Ct 472).

The Court held that the false description of the goods makes the defendants liable to the plaintiff pursuant to 15 U. S. C. §1125(a) (Ct 474); that the parties are in competition with each other in the western states, and that defendants by purporting to match the quality of the competing products while selling goods

of reduced quality and cost gained unfair advantage; and that from the standpoint of damage, there is likelihood that in future years people who have bought from defendants will become aware of the poor quality and quietly determine never again to purchase "Friend's" papers (Ct 474, 475); that it is impossible to determine the full extent to which the false descriptions have damaged the plaintiff already and will cause further injury in the future (Ct 475).

In regard to the defense of laches, the Memorandum holds: that in April 1957 Harley Friend was made aware that a law firm in Seattle had been "taken in" by Wilber's course of conduct seeking to create confusion concerning relationships between the Zion and Pasadena companies but took no action in respect to the matter nor did he inform his sons who were his partners prior to his death in 1959 (Ct 476), and the Court speculated that perhaps Harley thought the incident to be an isolated one; and that the first knowledge of Richard, Howard or William Friend of fraudulent conduct on the part of Wilber was in 1962 (Ct 476); and that under the circumstances, there was an absence of laches (Ct 477).

The Memorandum made no reference to the visit of Howard Friend to the offices of Friend and Company in 1956.

In reference to the recoverable damages and attorneys' fees, the Memorandum held that the plaintiff had been damaged; that most of the sales lost by the plaintiff to defendants were small in dollar amount but that to seek to identify them would be basically impracticable (Ct 477) but that by the interpolation, the

Court found from the evidence that plaintiff's actual damages are at least the sum of \$5,000 (Ct 477), which it trebled to \$15,000 under 15 U.S.C. §1117; that the misrepresentations in violation of 15 U.S.C. §1125(a) resulted in substantial injury to the plaintiff in an amount which cannot be precisely shown, but that it is not less than \$20,000, which was awarded (Ct 477, 478); and that because of wilfulness of the defendants' acts calculated to trade upon the plaintiff's good will, the plaintiff was awarded \$30,000 for attorneys' fees, citing National Van Lines v. Dean, 237 F.2d 688 (9th Cir. 1956). This resulted in a total monetary award of \$65,000.

The judgment of the Court (Ct 479) in accordance with the findings and conclusions in its Memorandum of Decision, enjoined the defendants: from using "Friends", "Banner", "Barrister Bond", "Bar Bond", and the like; from opposing the plaintiff's application to register "Banner" as a trademark; from using the word "Friend" as a trade name unless preceded by "Wilber" and accompanied by the parenthetical phrase "Not affiliated with H. A. Friend and Company of Zion, Illinois", except that the defendants were specifically permitted to use the name "Friend Paper Company" for the business of selling paper at wholesale to stationers and other retailers of paper; from advertising, asserting or implying that defendants' business began prior to 1950 or that it has any relationship with Zion, Illinois, or that its Pasadena establishment is a division of any other company; from selling stationery of different quality than defendants shall have advertised

it. Monetary judgment was awarded to plaintiff in the total amount of \$65,000 arrived at as stated above.

PRESENT POSTURE OF THE APPEALS

A factor which the District Judge is believed to have found most disturbing, and fraudulent, is the format of the 1956 and 1964 catalogs of Friend and Company, with particular reference to "1908", "Western Division", and "Zion". All these items were voluntarily changed prior to the court's decision.

It is not denied that the name Friend and Company is confusingly similar to H. A. Friend and Company, and it can be considered that neither party did in 1949 what would have been best for it. Moreover the defendants may have been unwise from an economic and business point of view, if for no other, in not using entirely different names and marks in California from anything previously used in Zion, regardless of what their legal rights were. But that is hindsight, and it is now left to determine where the rights lie.

It should be noted that Wilber Friend was brought up in a salesman's atmosphere in his father's company where some exaggerations and distortions helpful in selling the product were used: the use of "1908" although there was a discontinuity between 1914 and 1919, when Harley Friend was not an owner of any business (Rt 433-445); the name "Friend Brothers" for the 1908 business although there were no brothers in it; the use of "whole-sale paper" in association with the name H. A. Friend and

Company to describe what plaintiff here insists is a retail paper business, distinct from a wholesale paper business (Rt 401, Exh. 13); and the adoption by the owners of H. A. Friend and Company of the confusingly similar name Friend Paper Products Company Ans. Int. 1, Ct 181-183; Ans. Int. 5, Ct 485) for a wholesale paper business, after conceding the name Friend Paper Company to defendants for an identical type of business which had always operated and sold in the mid-west area. If such conduct be reprehensible on the part of Wilber Friend, then it is a basis for the defendants' defense of unclean hands on the part of the plaintiff.

The worst that should be thought of Wilber Friend is that he may have outdone his father in using the Zion post office address of Friend Paper Company to puff up the expansiveness of his business. There is no evidence that he ever told, or instructed anyone else to tell, a customer that his business was connected with the plaintiff.

It is submitted that these facts should not result in the large money awards and serious injunctions in respect to the basic factors of the errors in cotton fiber content and the paper trade names, marks and watermarks, used by the defendants for a great many years without protest, and never concealed from the plaintiff, which Wilber Friend had good grounds for believing he had every right to use.

Defendants-appellants presented a counterclaim charging unfair competition and trademark infringement of appellant's exclusive right to use "Barrister Bond" and "Friends", but in the

light of the fact that no attempt was ever made to prevent H. A. Friend and Company from using these marks, this counterclaim was not seriously advocated and is not being presented here.

ASSIGNMENT OF ERRORS

The District Court erred:

1. In holding that Friend Paper Company was ever owned by, or part of, H. A. Friend and Company.

2. In not holding that Wilber Friend solely formed and owned Friend Paper Company ever since its inception in the early 1930's.

3. In holding that H. A. Friend and Company, Inc. owns any of the marks involved in this suit.

4. In holding that "Friends" and its registration No. 655,848 is a valid and subsisting trademark exclusively owned by H. A. Friend and Company.

5. In holding that "Banner" is a trademark owned exclusively by H. A. Friend and Company.

6. In holding that "Barrister Bond" and its registration No. 274,875 is a valid and subsisting trademark exclusively owned by, or held in trust for, H. A. Friend and Company.

7. In failing to hold that H. A. Friend and Company did not obtain even a purported assignment of "Barrister Bond" or its registration No. 274,875 until 1965, after the filing of this suit.

8. In not holding that Friend and Company commenced and built up its business in a geographical area substantially

separate from that of plaintiff and its predecessors.

9. In holding that there was no laches on the part of plaintiff and in not holding that laches, acquiescence, estoppel and statute of limitations are a bar to the suit.

10. In not holding that Registration Nos. 655,848 and 544,450 for "Friends" and "Friends Linen" and No. 274,875 for "Barrister Bond" should be cancelled.

11. In not declaring the right of defendants-appellants to carry on their business with the same names and marks as heretofore.

12. In not dismissing Action No. 66-470-WPG for lack of jurisdiction and for failure to state a claim for which relief may be granted.

13. In making any money award of damages to the plaintiff.

14. In awarding any attorney's fees to the plaintiff.

15. In enjoining defendants from using "Bar-Bond".

16. In enjoining defendants from using any of "Friend", "Friends", "Banner", "Barrister Bond" and "Friend and Company".

17. In enjoining defendants from opposing plaintiff's application to register "Banner" as a trademark.

18. In enjoining defendants' use of the name "Friend Paper Company" outside the wholesale paper business.

19. In enjoining defendants from asserting in any way that any of their business began prior to 1950 or ever had any relationship with Zion or that its Pasadena establishment is a division of any company.

20. In enjoining defendants from selling stationery of different quality than advertised.

21. In Specific Findings of Fact, including: that Harley did not know Wilber owned Friend Paper Company in the 1930's and thereafter, and that Wilber encouraged his father or brothers to believe otherwise; that Wilber ever operated Friend Paper Company as a fiduciary or constructive trustee for H. A. Friend and Company; that Wilber made any "announcement" to his brothers about continuing Friend Paper Company; and that the announcement to Harley was as late as 1949; that H. A. Friend and Company was not alerted or notified by April 1957, and earlier, of the Pasadena business, names and marks of Friend and Company and Friend Paper Company; that there is likelihood that in future years purchasers will become aware of poor quality of defendants' papers; and that plaintiff suffered damage.

ARGUMENT

I

FRIEND PAPER COMPANY WAS NEVER OWNED BY, OR ANY PART OF, H. A. FRIEND AND COMPANY; AND

II

WILBER FRIEND SOLELY FORMED AND OWNED FRIEND PAPER COMPANY SINCE ITS INCEPTION.

The matter of Friend Paper Company's initial ownership is here discussed because the District Court appears to have given much weight to what it considered to be Wilber Friend's breach of fiduciary

relationship with H. A. Friend and Company in the operation of Friend Paper Company, resulting in the Court finding it unnecessary to consider much other pertinent evidence which defendants-appellants regard as determinative of the issues, and which is set forth in the Assignment of Errors herein. Furthermore, it is believed likely that the Friend Paper Company matter was a factor in the severity of the award of damages and attorneys' fees to plaintiff-appellee.

The District Court's Memorandum of Decision states that by 1920, Harley Friend was the "principal" owner of H. A. Friend and Company, referred to as the "Company" (Ct 462). He was at that time, in fact, its only owner as well as its manager (Wilber Friend Rt 15, 26, 308, 310, 311). Wilber Friend did not become the general manager until it was provided for in the partnership agreement of December 31, 1940, although he earlier took charge of things when his father was away from the office. The Amended Complaint states, "Mr. Harley A. Friend became the sole proprietor of this business, which was called and became known as H. A. Friend and Company" (Ct 135) and "The individual proprietorship continued . . . to 1940" (Ct 136). (The Complaint alleges its inception in 1912, but the only evidence about its inception is 1918-1920.)

The Decision further states that around the mid '30's "the Company caused to be formed the Friend Paper Company, which bought paper directly from Gilbert and sold it to the Company" (Ct 463). It is submitted that there is no substantial

evidence in the case supporting this holding that the Company (which in the 1930's consisted solely of Harley A. Friend) "caused" the formation of Friend Paper Company. The only evidence on this point is the testimony of Wilber Friend (Rt 38, 39, 311) to the effect that he formed the Friend Paper Company.

In its case in chief, the plaintiff called the defendant Wilber Friend as an adverse witness, who testified (Rt 38) that: "Friend Paper Company purchased paper under the name of Barrister Bond and so forth"; that "I am the Friend Paper Company", and its place of business as "In my home" (Rt 39). Under questioning of the Court, Wilber Friend reiterated his sole ownership of Friend Paper Company "right from the beginning" (Rt 297, 302); that his father and his brother William knew he owned it, that he did not recall any discussions with his brothers about its ownership but did discuss its ownership with his father.

While it may be true that plaintiff-appellee is not bound by the testimony of defendant-appellant, it is nevertheless the fact that plaintiff-appellee rested its case (Rt 306) after calling as its other witnesses only William Friend, its corporate secretary, Harold M. Bennett, Melvin P. Poole and Dale Walker, none of whom testified about the identity or ownership of Friend Paper Company. This left Wilber Friend's testimony as the only testimony on the subject.

The only witness called by defendants-appellants was Wilber Friend who gave details of his Friend Paper Company operation and relationship with his father. He testified that at

the time of starting up Friend Paper Company "I asked him for his business and he acquiesced. He allowed me to sell my products, my goods" (Rt 311) and that it was always operated at a profit to Wilber who reported the profit in his income tax returns (Exh. A, Rt 312-315).

William Friend, recalled by plaintiff-appellee in rebuttal, testified regarding Friend Paper Company "It was just a front for buying paper through the various paper mills" (Rt 529). This testimony may represent William's mental attitude, but it does not show who owns Friend Paper Company.

When asked how he knew Friend Paper Company was merely a buying front for H. A. Friend and Company, he testified (Rt 535):

"When I came in as a partner into the firm I talked with my brother Wilber. He asked me what I was going to do after I had gotten out of the service, and I said I would like to become a member of the firm, and he told me, well, it was a good clean business, and that we enjoyed a good business, and that we had an advantage over our competitors, being that we could buy direct."

This testimony does not state who "we" is or are, and assuming the word "we" was uttered at all, it could just as well have referred to Friend Paper Company as to H. A. Friend and Company. Wilber Friend consistently referred to Friend Paper Company as "we" (Rt 38, 39, correspondence Exhs. H, K, P, S),

and he used the "we" in testimony in this case (Rt 38). It is submitted also that this attempt to paraphrase a sentence out of a conversation in 1945, twenty-two years previously, is in itself a reason to treat it with suspicion.

In regard to the profits of Friend Paper Company, William Friend testified, "I did not know of any profits to be made" (Rt 529). This signifies only that he does not know whether or not profit was to be made. The witness' attempt to state what his father and other brothers knew was stricken. He testified (Rt 539):

"We assumed that he was not making a profit all those years" and "My two brothers and my father assumed that he wasn't."

This testimony, in addition to being mere "assumption", was stricken in reference to the two brothers and father on the ground of hearsay (Rt 539, 540).

William Friend's lack of knowledge about the inception of Friend Paper Company is shown by the following testimony (Rt 536):

"Q. You don't know anything about the inception of Friend Paper Company?

"A. Only what came up at the time of the dissolution.

"Q. You mean what other people told you?

"A. Right."

The witness did not attempt to assert anything he might have heard about Friend Paper Company's inception. It is

submitted that there is no substantial evidence that Friend Paper Company ever had the same identity as H. A. Friend and Company.

A finding of the District Court should be reversed and set aside where there is no substantial evidence to support it, or where it is clear that a mistake has been committed. Lassiter v. Guy F. Atkinson Co., 176 F.2d 984, 993 (9 Cir. 1949) quoting from United States v. U. S. Gypsum Co., 333 U.S. 364, 395, 68 S. Ct. 525, 542, 92 L.Ed. 746; Vice v. Thacker, 30 Cal.2d 84, 180 P.2d 4 (Calif. S. Ct. 1947); or unless it is against the clear weight of the evidence. Cleo Syrup Corp. v. Coca-Cola Co., 139 F.2d 416, 417, 418 (8 Cir. 1943), cert. denied 321 U.S. 781, 64 S. Ct. 638, 88 L.Ed. 1074.

It is noteworthy that the only one of the Zion branch of the Friend family produced at the trial was William Friend, the youngest brother, and therefore having the least knowledge. During discovery, the defendants-appellants took the deposition of Richard Friend, plaintiff's president, and the oldest of the Zion brothers, because he was present at H. A. Friend and Company during the 1930's as well as the 1940's, although in the early 1930's he did only part-time work there. Defendants-appellants took his deposition rather than that of William Friend because Richard Friend had the most knowledge of the pertinent events. Wilber Friend testified that his father and his brother Richard visited the place of business of Friend Paper Company at his apartment "all through the '30's", his father frequently and his

brother Richard less frequently (Rt 320, 321). It should be regarded unfavorable to the plaintiff-appellee that it chose to produce at the trial the least knowledgable one of the Friend brothers to refute the testimony of Wilber Friend in the matter of Friend Paper Company.

The statement in the Decision (Ct 463) that "Almost from its inception its 'business' was conducted solely by Wilber", contains an implication that in its initial stage, someone else, presumably Harley A. Friend, conducted the Friend Paper Company either in whole or in part. But there is no evidence in the case that anyone other than Wilber Friend conducted this business; and there is evidence that Wilber owned and conducted it (Wilber Friend, Rt 311; Wilber Friend Rt 528). He paid the expenses of Friend Paper Company (Rt 314) and paid the mills for the paper he purchased, from his own bank account (Rt 318, 319) and in selling the paper to his customers, the principal one of which was H. A. Friend and Company, he applied a markup and made a profit (Rt 312-315). His customers included others than H. A. Friend and Company, represented in Exh. Y (Rt 383, 384), page 5 of which is an invoice representing merchandise shipped to Weber Fly Company of Stevens Point, Wisconsin, and page 7 of which represents a purchase from Friend Paper Company by Paper Box and Specialty Company, for example (Wilber Friend Rt 384). His income tax returns, Exh. A, show that he reported the Friend Paper Company profits throughout the years beginning as early as 1934. The office of Friend Paper Company was at his home where

he did the work by use of office equipment located there (Rt 319). He maintained a post office box in which Friend Paper Company's mail was received.

The Decision further states in reference to H. A. Friend and Company "its stationery was also advertised as 'Friend's Papers', and more particularly as 'Friend's Typewriter Papers', 'Friends' Legal Linen', and the like" (Ct 464), in the period prior to the formation of the partnership in 1941. This advertising refers to the brochure Exh. 10 published about 1938. But Friend Paper Company, ever since the early 1930's was advertising its Friend's papers in Lockwood's Directory, the principal advertising medium of wholesale paper merchants, and plaintiff-appellee knew about this (Exh. BH); and also Gilbert's letter to H. A. Friend on October 7, 1948 covering Barrister Bond and other marks (Exh. M) stated: "The word Plymouth is recorded in Lockwood's Directory by a number of people"

There is no evidence that H. A. Friend and Company sold paper bearing a "Friend" or "Friends" trademark any earlier than Friend Paper Company did. Wilber Friend testified (Rt 328) that the first use of "Friends" in a watermark occurred in 1934 when he, as Friend Paper Company, arranged with Valley Paper Company of Holyoke, Massachusetts, for them to make a dandy roll containing the word "Friends" to impress it as a watermark on the paper sold to Friend Paper Company. During discovery, plaintiff stated that its first use of "Friends" is represented by the brochure Exh. 10 first published about 1938 (Rt 29), and Richard Friend

confirmed this (Richard Friend dep. p. 70, line 17 to p. 72, line 17 and p. 81, line 16 to p. 82, line 5, Exh. BH).

At the trial, however, plaintiff-appellee introduced a document (Exh. 282) referred to as a more recently discovered invoice bearing a date in May, 1931 apparently purporting to represent a sale by H. A. Friend and Company of paper called "Friends", but considered by defendants-appellants insufficient to show a trademark use, because it is not evidence that "Friends" appeared on the paper or its container, required for a trademark use, and is certainly not evidence of the existence of a watermark "Friends". The witness William Friend had no personal knowledge of its inception or what it represented, and defendants-appellants' objection on the ground of not being proven was overruled (Rt 262-267). The same objection is renewed here, in view of Richard Friend's deposition testimony and plaintiff-appellee's admission that the brochure Exh. 10 was the earliest evidence. Moreover the "Friends Linen" Registration No. 544,450 (Exh. T) claims first use on June 30, 1949 which is inconsistent with a 1931 date of use.

The Decision states (Ct 471):

"The evidence clearly shows that Wilber made no disclosure to his father or his brothers that he was using Friend Paper Company for his own benefit."

There is such evidence insofar as such disclosure to the trial witness William Friend is concerned, but there is no such evidence insofar as disclosure to Harley Friend is concerned. The evidence shows that Wilber Friend's business conversations were mostly

confined to discussions with his father rather than with his youngest brother. This was a natural result of the situation where Wilber, the eldest brother, was performing an important part of the operation before the three younger brothers acquired much knowledge of the business. Harley Friend was "the boss" and in full control and controlled Wilber even though Wilber Friend was given the duties and even the title of general manager of the plant operation in December 1940. Any possible doubt about this is dissipated by the plaintiff's own witness Rachel Paxton who told in her deposition (Exh. AZ) of having been employed by H. A. Friend and Company from September 1939 to July 1941, and testified that "Harley was the boss" and "ran the place" (Dep. pp. 3, 4, 9, 10).

As further evidence of Harley's control is Wilber Friend's testimony that his father had told him in the latter part of 1948 that either one could buy out the other, with the result that Wilber was bought out by Harley Friend (but not by any of the brothers) (Rt 340). Furthermore, all correspondence of H. A. Friend and Company in evidence here (Exh. M, N, O, AG) prior to Harley's death, relating to matters involving Harley Friend and Wilber Friend in 1948 and 1949, is signed by Harley Friend and none of it is signed by any of the other three brothers.

There is no substantial evidence that Harley never knew that Wilber owned Friend Paper Company or that Wilber failed to so inform him. Wilber Friend's testimony is that his father was aware of Wilber's ownership of it (Rt 311, 321). The very fact

that Harley Friend greeted with silence Wilber's announcement at the end of 1948 that Wilber intended to continue the Friend Paper Company business is in itself a tacit admission that Harley knew Wilber was its owner prior to December, 1948. Further confirmation of this fact appears in pages 54 and 55 of the deposition of Richard Friend, plaintiff's president (Exh. BH), who testified:

"Q. Did you know the name of his business in California?

"A. I don't know. I assume it was Friend Paper Company. . . .

"Q. That when he was given the name of Friend Paper Company in 1948 he was thereupon doing business, doing some kind of paper business. Is that right?

"A. Yes. We would assume that; that was what he knew and he would follow the profession."

The Decision also states (Ct 471):

"Their understanding, which Wilber carefully encouraged, was that he was operating Friend Paper Company as part of his function as principal manager of H. A. Friend and Company, and that the former was being operated solely for the benefit of the latter."

It is submitted that there is no substantial evidence supporting this quoted portion of the Decision. The only testimony at the trial by the plaintiff-appellee which could refer in any way to this was the above quoted testimony of William Friend, at Rt 529

concerning competitive advantage. The mere fact that Wilber was making a profit did not negate the competitive advantage to H. A. Friend and Company of his direct buying from the paper mill, for it is entirely possible, and even probable, that Friend Paper Company was applying less of a markup in selling to H. A. Friend and Company than had been obtainable from other wholesalers. It would be incredible if Harley A. Friend, in switching from Moser Paper Company to Friend Paper Company for his purchases in the 1930's, was not aware that he was getting a better buy from Friend Paper Company, which was the reason for his buying from Friend Paper Company in the first place. At Ct 539, the witness William Friend was asked:

"Q. When did you learn that he was not supposed to make a profit?

"A. We assumed that he was not making a profit all those years.

"Q. You just assumed it?

"A. My two brothers and my father assumed that he wasn't. "

This last answer about the two brothers and father was stricken out as hearsay (Ct 540), and as for William it was an assumption only and not a fact.

It is submitted that such testimony as to who was the proprietor of Friend Paper Company, based only on conclusions and assumptions of the witness William Friend and attempted hearsay evidence, is not substantial and does not overcome the

testimony of Wilber Friend to the contrary, supported by the documentary evidence of his income tax returns showing the profits, the admissions that he did profit, his advertising of Friend Paper Company's watermarks to the trade, and his sales to other customers, and the circumstance of Harley Friend maintaining silence when informed of Wilber's intention to continue with Friend Paper Company. The vague testimony of William Friend as to some business of Friend Paper Company, such as calls by paper mill salesmen and the typing of some letters on the premises of H. A. Friend and Company does not refute this, and is not inconsistent with that part of the 1941 partnership agreement referred to by the Court, providing for the partners to work full-time for the partnership. It is well known that persons employed full-time habitually engage in some personal errands or business during a working day.

III

H. A. FRIEND AND COMPANY DOES NOT OWN ANY OF THE MARKS INVOLVED IN THIS SUIT.

A pertinent question is: does H. A. Friend and Company own and have the right to exclude others from any, or all, of the "Friends", "Barrister" and "Banner" marks for stationery paper? It is submitted that it does not; and that therefore it does not have the right to exclude defendants-appellants from their use.

H. A. Friend and Company has used stationery paper marked "Friends", "Barrister" and "Banner", but the mere fact of use is not tantamount to ownership; that is, the right to exclude others from use. The evidence is that others have "used" these marks also. Gilbert Paper Company, the paper mill, used the watermarks "Barrister" and "Friends" in manufacturing and selling stationery paper to wholesale paper merchants, for example, Moser Paper Company, and Friend Paper Company.

It is conceded that it would be possible for a retailer or a wholesaler to become the owner of a watermark made and sold by a paper mill, but only by some contractual arrangement as to ownership of the mark.

In the present case there is no evidence of any arrangement as to ownership of watermarks by H. A. Friend and Company with Gilbert Paper Company, the mill, or Moser Paper Company or Friend Paper Company. There is no evidence that Moser Paper Company or H. A. Friend and Company handled

"Friends"-watermarked paper before Friend Paper Company did.

"Banner" was never used as a watermark by either of the parties to this suit. The paper called "Banner" is a plain, unmarked paper which has been sold by placing it in cartons bearing the mark "Banner Bond." H. A. Friend and Company's use of "Banner" has never been exclusive, as shown by the testimony of Bauder and Berg to the effect that Bradner Smith and Company, a wholesale paper merchant of Chicago, Illinois, has been handling, since prior to 1921, stationery paper marked "Banner" (Bauder and Berg depos., Exh. AM and AO, Rt 417).

Bradner Smith and Company has listed its "Banner" paper in Lockwood's Directory through the years (Exh. B) along with a number of other paper merchants who have listed their "Banner"-marked paper in Lockwood's Directory (Exh. B, pp. 2, 5, 6, 9, 12, 16).

Both the "Friends" and "Barrister" marks have been listed in Lockwood's Directory since the early 1930's by Friend Paper Company, (Exh. B, pp. 7, 9, 10, 13, 14, 17, 18).

IV

PLAINTIFF-APPELLEE DOES NOT OWN THE
"FRIENDS" REGISTRATION NO. 655,848.

Specific reasons why H. A. Friend and Company does not own "Friends" or a valid registration for it are:

(a) Friend Paper Products Company, a

wholesale paper merchant, is its owner,
if anything is owned.

(b) H. A. Friend and Company abandoned
whatever ownership it had, if any.

(c) "Friends" is primarily merely a surname.

(a) Friend Paper Products Company, a wholesale
paper merchant, is its owner, if anything is owned.

The "Friends" registration No. 655,848 is for "Bond,
Parchment, and Linen Papers." Richard W. Friend, plaintiff's
president, testified in October 1964 by discovery deposition that
this registration is owned by Friend Paper Products Company, a
partnership consisting of Richard, Howard and William Friend.
The gist of his testimony is as follows:

"MR. ANGUS: Then Friend Paper Products
Company owns the registration; is that correct?

"THE WITNESS: On record. That is what the
record shows." (Exh. BH, p. 95, lines 21-24).

"Q. Mr. Friend, is the Friend Paper Products
Company still in existence?

"A. It is.

"Q. That is the partnership, isn't it?

"A. That is the partnership."

The file wrapper and contents of the "Friends" trademark
application (Exh. V) shows that on July 26, 1963 Friend Paper
Products Company, the wholesale paper merchant, filed an

affidavit under Lanham Act Sections 8 & 15 (required for continuing the registration alive), alleging continuous use of the mark. There is no allegation of use by the retailer, H. A. Friend and Company, and the affidavit implies that the more than five years' continuous use referred to therein was by Friend Paper Products Company which had been buying the paper from Gilbert Paper Company and reselling it, since 1949. As shown at pages 86-97 of this deposition of Richard W. Friend, (Exh. BH), Friend Paper Products Company was never the same partnership as plaintiff's predecessor partnership named H. A. Friend and Company, and it never had any identity with the plaintiff corporation H. A. Friend and Company, Inc.

When the Patent Office questioned the ownership of the registration of Friend Paper Products Company, in Paper No. 5 of the file wrapper, Exh. V, the attorney who submitted the affidavit asserted that Friend Paper Products Company was simply a new name for the partnership H. A. Friend and Company. This assertion of the attorney was erroneous because of: the contrary testimony of Richard W. Friend, above; and also the fact that the partnership, H. A. Friend and Company, ceased to exist in 1961 upon the formation of the plaintiff corporation, H. A. Friend and Company, Inc., which succeeded to it, while the wholesaler Friend Paper Products Company, a partnership, has continued to the present time.

If it were not for this misrepresentation of the identity of Friend Paper Products Company to the Patent Office, the Sec.

8 & 15 affidavit would not have been accepted by the Patent Office, and the registration would have lapsed in 1963 at the end of six years from the registration date, under the Lanham Act Sec. 8(a) (15 USC 1058a) (Appendix II). It is submitted that this court should accordingly hold the registration lapsed.

(b) H. A. Friend and Company abandoned whatever ownership it had, if any.

H. A. Friend and Company's concession made at least as early as 1949 (Ct 76, 125-127) and the District Court's finding (CT 475) that Wilber Friend owns the right to continue the operation of Friend Paper Company as before, and with the name, as his sole proprietorship, negates any ownership, that is, exclusive right, in H. A. Friend and Company to "Friend" as a trademark for stationery paper, even if it could have had such right prior to 1949, which defendants-appellants deny. Since Friend Paper Company's business is the selling of stationery paper, the very goods for which Registration No. 655,848 was issued, it is not possible for H. A. Friend and Company to obtain a valid registration for it on its application to register in the Patent Office, filed in 1957. The application for the registration of "Friends" required the affidavit statement (Exh. V) that no one other than the application has the right to use "Friends", and if the Patent Office had known that this statement was incorrect, it would not have issued the registration. It is submitted that this Court should hold it invalid. The right to use the name

Friend Paper Company for a paper product establishes Friend Paper Company's right to refer to its paper as "Friend" or "Friends" paper and to advertise it as such (Exh. B₁-B₄). Since "Friends" is simply the possessive form of "Friend", "Friends" is in no different position than "Friend" in this respect.

Not only does the long continued use of the name Friend Paper Company bar any exclusivity to the plaintiff-appellee in "Friend" or "Friends", but also the very use ever since 1948 (and ever since the 1930's by defendants-appellants' contention) of the name Friends on the paper products handled by Friend Paper Company is a bar to the validity of Registration 655,848 under Lanham Act Sec. 2(d) (15 USC 1052) (Appendix II); for no one can validly register a mark which has long been used by another in a trade name or trademark in a proper or permissive manner for the same kind of goods. If plaintiff-appellee's ownership of "Friends" or its registration were valid, it would necessarily follow that it would have the right to exclude defendants-appellants from making any use of "Friend" or "Friends", including the name Friend Paper Company, because a valid trademark cannot be validly used by another as part of his trade name. If plaintiff-appellee ever had any exclusive right to "Friend" or "Friends", it abandoned that right by conceding at least as early as 1949 that Friend Paper Company and its name and business belong to Wilber Friend.

The "Friends" registration should have been refused because it resembles the trade name Friend Paper Company,

used since the early 1930's and not abandoned (Lanham Act Sec. 2(d)). The earliest evidence of trademark use of "Friends" by plaintiff-appellee is the brochure, Exh. 10, first distributed and published about 1938, following the formation of Friend Paper Company (Rt 29).

Acquiescence or permission in another's use of a mark, and even a mere idly standing by without protest or legal action, for a long time constitutes an abandonment of a trademark. French Republic, France Sec. CSS Corp. v. Saratoga Vichy Spring Co., 191 U.S. 427, 48 L.Ed. 247, (1903); Nebraska Consolidated Mills Co. v. Quaker Oats Co., 115 USPQ 85 (Comm. of Patents, 1957); R. L. Bennett & Sons v. Farmers Seed and Gin Co., 288 F. 365 (CA 5, 1923) Appendix II); Callmann on Unfair Competition and Trademarks, 2nd Edition, published 1950, Volume 3, p. 1338 (Appendix II).

In International Silver Co. v. Oneida Community, Ltd., 73 F.2d 69 (CA 2, 1934), the predecessors of the plaintiff were the first to use "Rogers" for their silver business, but the defendant or its predecessors had been using "Rogers" in its silver business for some 30 years with the knowledge of plaintiff; and the plaintiff had made purchases of goods from defendant's predecessors who used "Rogers" in their trade name. The court held that these facts precluded the plaintiff from having the exclusive right to "Rogers" and that the defendant was free to use it also.

(c) "Friend's" is Primarily merely a surname.

It is a basic rule that trademark infringement or unfair competition cannot be predicated on a bona fide use by an individual of his own name in his own business, even though such use may incidentally interfere with or injure the business of another person or organization of the same or similar name. Lanham Act Sec. 2(e) (3) (Appendix II); American Distilling Co. v. Bellows and Co., 102 CA 2d. 8, 226 P.2d 751 (1951).

A further requirement is that a plaintiff's name must have acquired a secondary meaning before he can prohibit its use by another. Tomsky v. Clark, 73 CA 412, 238 P. 950 (1925); Academy of Motion Picture Arts and Sciences v. Benson, 15 C.2d 685, 690 (1940) (Appendix II); Locatelli, Inc. v. Tomaiuoli, 129 F.Supp 630, 104 USPQ 332 (DC NJ, 1955); Fish Bros. Wagon Co. v. Fish Bros. Mfg. Co., 95 F. 457, (CA 8, 1899).

In Visser v. Macres, 214 CA 2d. 249, 137 USPQ 492 (1963), the court held for the plaintiff, but only because the family name "Macres" had acquired a secondary meaning in the City of Anaheim where the controversy was centered.

Surnames are registerable on the Principal Register provided they are brought within the provision of Lanham Act Sect. 2(f) which provides that "nothing herein shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce. The Commissioner may accept as prima facie evidence that the mark

has become distinctive, as applied to the applicant's goods in commerce, proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the five years next preceding the date of filing of the application for its registration (15 USC 1052). " H. A. Friend and Company could not have submitted valid "proof of substantially exclusive and continuous use" during the five year period ending February, 1957, for the reason that Friend Paper Company, as well as Friend and Company, were using "Friend" in their trade names and were using paper marked "Friends" continuously during that period. Plaintiff's registration should never have been granted and it is invalid. Graff Co. v. Cook Co., 2 F.2d 938 (Ct. of Appeals, DC 1924); Spencer v. V.D.O. Instruments, Ltd., 232 F.Supp 735, 142 USPQ 72 (ED Mich. 1964).

The Friends Registration is Not Incontestable.

Plaintiff-appellee has asserted that Registration No. 655,848 has acquired an immunity from attack on the ground that it has acquired a Lanham Act incontestability under Lanham Act Sec. 15 (15 USC 1065) (Appendix II) by reason of having been in existence for more than five years after the registration date; but provisions of the Lanham Act, considered with the actual facts, deprive it of incontestible status. Sec. 15 even if complied with does no more than guarantee the registrant's right to use the mark for the goods, but does not grant any right to exclude others.

One of the exceptions set forth in Sec. 15 negating the

status of incontestability is subsection (c) of Sec. 14 (15 USC 1064) which reads:

"Sec. 14 Cancellation of Registrations.

Any person who believes that he is or will be damaged by the registration of a mark on the Principal Register . . . may apply to cancel said registration

(c) At any time if the registered mark has been abandoned or its registration was obtained fraudulently"

Sec. 33(b) (15 USC 1115(b)) does provide that the registration certificate of a mark which has acquired an incontestable status is conclusive evidence of the registrant's right to exclude others, provided certain conditions are met, namely, (1) that the registration or the incontestable status were not obtained fraudulently; (2) that the mark has not been abandoned by the registrant; (4) that the use of the name [Friend and Company] . . . charged to be an infringement is a use, otherwise than as a trade or service mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party [Wilber Friend is in privity with Friend and Company]; (5) that the mark [Friends] charged as an infringement was adopted by the alleged infringer without knowledge of the registrant's prior use [of Friends] and has been continuously used by the alleged infringer from a date prior to the date of the publi-

cation of the registered mark, in the area of the continuous use [through the United States by Friend Paper Company since 1934 (and since 1948) and in the far western states by Friend and Company since 1950].

V

H. A. FRIEND AND COMPANY DOES NOT OWN
"BANNER" AS A TRADEMARK

Long prior to any date of use of "Banner" or "Banner Bond" as a trademark by H. A. Friend and Company (Exh. 10, 1938), others were using "Banner" for stationery paper. Bradner Smith and Company has been continuously selling paper in an area within a 300 mile radius of Chicago, (H. A. Friend and Company's area), with the mark "Banner" ever since before 1921, and is still selling it. (Bauder dep. pp. 3-6; p. 10, line 8 to p. 11, line 3; p. 13, lines 9-15; p. 14, lines 5-16; In evid. Rt 417; Berg dep. pp. 18-24; In evid. Rt 417). Pages 68 and 69 of Bradner Smith and Company's June 20, 1925 catalog (Exh. AM) show the advertising of "Banner" Manifold, 500 sheets in package. (Exh. AM is Bauder dep. Exh. 1; Rt 417). Exhibits AN and AO (Bauder dep. Exh. 2 and 3 respectively; Rt 385, 417) are labels marked "White Banner Manifold" and "Banner Manifold", respectively, used by Bradner Smith and Company for its papers. Bauder acknowledged the listings of Bradner Smith and Company annually in Lockwood's Directory as represented by the 1926 Directory and 1948 Directory (Exh. B₄ and B₂) (Bauder dep. p. 15,

line 12, to p. 16, line 20; Rt 417). Many others have listed Banner in Lockwood's (Exh. B₁-B₄).

Friend Paper Company has listed Banner Bond in Lockwood's Directory since the 1940's, for example, the 1948 Lockwood, Exh. B.

Under the provision of Lanham Act Sec 2(d) (15 USC 1052) H. A. Friend and Company is not entitled to register "Banner" in view of this long continuous use and advertising of it by Bradner Smith and Company and by Friend Paper Company and the others; and its conduct in not even applying to register it until 1965, obviously only for the purpose of this suit filed in 1964, is a strong indication that plaintiff-appellee does not have, and never considered it had, exclusive rights in "Banner." Clearly Banner can have no trademark significance in distinguishing anyone's goods.

VI

"BARRISTER BOND" IS NOT A VALID TRADEMARK
NOR IS IT OWNED BY OR HELD IN TRUST FOR
H. A. FRIEND AND COMPANY

If anyone was ever in a position to exclude anyone else from use of "Barrister Bond", it was Gilbert Paper Company, the owner of Registration No. 274,875 (Exh. 2), and not H. A. Friend and Company. The invoice agreement (Exh. I) by which Gilbert in February 1949 granted Friend Paper Company an exclusive right to the "Barrister" mark in consideration of the \$400 payment, prevented even Gilbert from excluding Friend

Paper Company from using "Barrister Bond." There is no evidence that Gilbert ever held the registration in trust for H. A. Friend and Company or that Gilbert ever assigned it to H. A. Friend and Company or of the recording of any particular assignment. There is no document of any kind in the case even purporting to convey to H. A. Friend and Company any right to prevent, or recover for, alleged infringements occurring prior to August 26, 1965, which is subsequent to the filing of the Complaint in No. 22489.

The Court's Memorandum of Decision holds (Ct 472):

"The plaintiff has been using the trademark

'Barrister Bond', ever since prior to 1926.

Trademark registration No. 274,875 was issued

to Gilbert in 1930 and was renewed for 20 years"

H. A. Friend and Company's mere use commencing sometime prior to 1930 is not tantamount to ownership, that is, the exclusive right of use; and the very fact that Gilbert obtained the registration in 1930 is evidence that it was not being held in trust for anyone else. If H. A. Friend and Company held the exclusive right to use "Barrister Bond" in 1930, Gilbert could not have validly registered it for itself. The very application to register in 1930 contained the required affidavit that no one other than Gilbert has the right to use the mark (File wrapper, Exh. E, Rt 335). Again, when Gilbert applied to republish the mark under Lanham Act Sec. 12(c) by its affidavit of July 8, 1947 (p. 7, Exh. E), the Patent Office refused to republish (Exh. E, pp. 10 and 11)

because title appeared in Southworth Company. It was not until after September 30, 1948 when Gilbert's attorney sent to the Patent Office for recording an assignment of it from Southworth to Gilbert, dated December 26, 1930, that the Patent Office republished the registration to Gilbert (pp. 7-32 of Exh. E). All this documentation shows that Gilbert was continuously claiming exclusive rights and ownership in itself in the "Barrister Bond" mark.

Since trademarks can only represent origin of goods, it is beyond legal comprehension that a trademark owner can hold a trademark "in trust" for someone else, for if such a "trust" could exist it would imply that the purported trustor has the exclusive right to use the mark; which would negate owner (Gilbert Paper Company) having even a right of use. H. A. Friend and Company could never have been a "related company" under Lanham Act Sec. 5 (15 USC 1055) because a related company can only be one which is owned or controlled by the registrant, or which controls the registrant, such as subsidiary, affiliated, and parent companies, and legitimate licensees bound by license agreements to maintain the quality of trademarked goods manufactured by them under rigid supervision by the trademark registrant. Mere customers of Gilbert's distributors cannot be "related companies" because the registrant does not control them in any way. Gilbert's customers for "Barrister Bond" are merchants such as Moser Paper Company (PreTrial Conf. Order, par. 31 and 32, Ct 452), Friend Paper Company, and a host of

others; but not retailers.

There is no evidence supporting the finding of a "trust." Mr. Schmerein, Gilbert's president, did not testify that Gilbert ever held the Barrister Bond mark in trust for anyone. The farthest Gilbert ever went in that direction (Schmerein dep. Exh. BK, p. 2) was to try to arrange that H. A. Friend and Company would be the retailer in Illinois and states contiguous thereto. As clearly stated in Gilbert's letter of October 7, 1948, to H. A. Friend (p. 2 of Exh. M): "All we did was to offer their use to you, " and "you were given the use of those marks in Illinois and all of the states contiguous to Illinois. "

Mr. Schmerein's testimony (Exh. BK) was that Friend Paper Company and not H. A. Friend and Company, was Gilbert's customer, and Gilbert shipped the paper to Friend Paper Company and "past that I have no reason to question what happened to it, " (dept. p. 46, Exh. BK); that Friend Paper Company became the owner of the paper without any restriction from Gilbert other than the fact that if Friend Paper Company "disturbed any Gilbert franchise business, " Gilbert could eliminate its future business (dep. pp. 34, 35); that Gilbert had similarly sold to Moser Paper Company without restriction and Moser could sell the paper, including "Barrister Bond", to anyone (dep. p. 35).

Mr. Schmerein admitted that Gilbert had received Friend Paper Company's letter of August 19, 1948 (p. 2 of Exh. S) (Schmerein dep. pp. 40 and 41), signed as Friend Paper Company by Wilber Friend, which stated, "this firm is solely owned and

controlled by the undersigned, W. H. Friend, " and this knowledge of Gilbert is further confirmed by Gilbert's letter signed by Mr. Schmerein, dated October 1, 1948 (p. 1 of Exh. M) to H. A. Friend which contains the statement, "Due to the presence of these same watermarks with the Friend Paper Company it would be our distinct preference to see a continuance of purchases through this source. "

Mr. Schmerein knew at least as early as May 1958 that Friend Paper Company was calling its paper "Barrister Bond" even though Gilbert was watermarking it as "Bar-Bond, " as Schmerein admitted that Gilbert had received Friend Paper Company's letter dated May 26, 1958 carrying the notation on the bottom of the letterhead "Engraved Barrister Bond, 100% New Cotton Fiber" (Schmerein dep. pp. 44, 45) and that Gilbert had never objected to it, and that Friend Paper Company had never made any misrepresentation or committed any fraud against Gilbert (dep. pp. 55, 56).

Another reason why the "Barrister Bond" mark could not have been transferred from Gilbert to H. A. Friend and Company in the nebulous manner suggested, is that a registered mark can only be assigned by an instrument in writing together with the goodwill of the business of the assignor. (Lanham Act Sec. 10 (15 USC 1060) (Appendix II). Under this Lanham Act Sec. 10, even the written invoice agreement (Exh. I) for which Friend Paper Company paid \$400 to Gilbert, was probably not an assignment of exclusive right in the registration, inasmuch as the

goodwill of Gilbert's business did not go with it and under the authorities, may have had the effect of voiding the trademark, as it amounted to a simple license. But at least Friend Paper Company was a "purchaser for a valuable consideration" of the right to buy "Barrister Bond" from Gilbert.

It is abundantly clear that Harley Friend in 1949 knew that Gilbert was the owner of "Barrister Bond," as well as the fact that all the other watermarks here in controversy were open to use by Wilber Friend, as clearly shown by the statement in Harley Friend's letter to Gilbert of April 20, 1949 (p. 2 of Exh. N); "Owing to the fact that the other three watermarks appear to be free-marks, it would only be necessary for him to get an assignment on Barrister Bond, in order to put H. A. Friend and Company completely under his thumb."

VII

H. A. FRIEND AND COMPANY DID NOT OBTAIN
EVEN A PURPORTED ASSIGNMENT OF BARRISTER
BOND UNTIL AFTER THE FILING OF THIS SUIT.

There is no evidence of H. A. Friend and Company's ownership of "Barrister Bond" until August 26, 1965, which is the date of the Patent Office certificate on the copy of registration 274,875 introduced in evidence as plaintiff's Exhibit 2. This bears the Patent Office's typewritten endorsement that title is in H. A. Friend and Company. No objection was made to the hearsay aspect of this endorsement because defendants-appellants became aware

during the discovery proceedings of several mesne assignments of the registration during the 1960's by which the ownership was transferred among a number of different corporations, the last one of which executed what purports to be an assignment to H. A. Friend and Company, at a date prior to August 26, 1967 and after the commencement of this suit. Plaintiff-appellee did not see fit to introduce any of these assignments in evidence. As far as the present record is concerned, plaintiff-appellee has not shown that it has acquired anything purporting to evidence its ownership, prior to August 26, 1965.

It is clear that Gilbert is estopped by reason of the invoice agreement (Exh. I) and its lack of objection to Friend Paper Company's use of "Barrister Bond from preventing the continued use of "Barrister Bond. " It should be equally clear that even if H. A. Friend and Company claims to have at this date an assignment of it, it is likewise estopped because it can be in no better position than Gilbert.

VIII

FRIEND AND COMPANY COMMENCED AND BUILT
UP ITS BUSINESS IN A GEOGRAPHICAL AREA
SUBSTANTIALLY SEPARATE FROM THAT OF
H. A. FRIEND AND COMPANY, INC. AND ITS
PREDECESSOR.

The conduct of the parties shows that when Wilber Friend moved to Pasadena both he and Harley Friend considered he had left the territory of his father's interest. Harley's silence when

told by Wilber in 1948 of Wilber's intention to go into the retail business and to use the name Friend and Company; and the absence of any reaction when Howard Friend saw the name "Friend and Company" at 55 West Green Street, Pasadena in 1956; and Harley's ignoring the information he had received from the Lycette firm in 1957 of "Friend and Company" in Pasadena and selling at retail; and plaintiff's ignoring Friend Paper Company's listings of all the trademarks in Lockwood's Directories throughout all the years coupled with their knowledge as early as 1949 that Wilber Friend had been publishing his marks in Lockwood's; all add up to the plaintiff having considered Wilber Friend to be in a different geographical area, at least up until the time when the three Friend brothers in Zion adopted a different position in 1964.

Even if Wilber Friend might have been stopped years ago from using Friend and Company in the far west states because of H. A. Friend and Company having previously done at least some business there, their lack of timely action should make the authorities on geographical separation of the parties, controlling in this case. Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 60 L. Ed. 713, 36 S. Ct. 357 (1916); United Drug Co. v. Theodor Rectanus Co., 248 U.S. 90, 63 L. Ed. 141, 39 S. Ct. 48 (1918); Silver Swan Liquor Corp. v. Hiram Walker, Inc., 19 F. Supp 445 (ND Calif. 1937); Gallo v. Safeway Brake Shops of La., Inc., 140 So. 2nd 912, 915 (La. App., 1963), quoting 87 CJS 235 (Appendix II).

IX

LACHES, ACQUIESCENCE AND ESTOPPEL ARE A BAR TO THE FIRST SUIT.

All findings and judgments of the District Court are under the Lanham Act and they should not be maintained because of the equitable defense of laches, and also the defenses of acquiescence and estoppel, all of which are specifically preserved in Lanham Act Sec. 19 (USC 1069) (Appendix II). These defenses, all of which are in defendants' Answer, are established by the long delay of over 16 years in bringing the action after the matters complained of were commenced, during all of which time the plaintiff was alerted and on notice of defendants' activities and intentions and knew of them and recognized, acquiesced and made no objection to defendants' use of any of the names or marks Friend Paper Company, Friend and Company, Friends, Banner, and Barrister. This situation also results in an estoppel against the plaintiff by reason of defendants-appellants' having spent large amounts of money, time and effort over the years building up their business and plant in Pasadena in reliance on plaintiff's acquiescence and lack of objection.

The concession of the right to continue use of the name Friend Paper Company, at least after 1948, should now bar any injunction against its use. It follows that defendants should not be enjoined from using the word Friend or Friends in connection with their business and products; for the right to use the name

Friend Paper Company for a stationery business must include the right to refer to the products as Friend or Friend's paper, especially when the proprietor of the business is named Friend.

Considering furthermore that products sold by Friend Paper Company even prior to 1949 had been marked and referred to as Friend, Friends, Barrister, Barrister Bond, Banner, and Banner Bond, plaintiff's recognition that Friend Paper Company was entitled to continue its business as before 1949 carries with it the right to continue to handle and sell Friend, Friends, Barrister and Banner, as before.

Furthermore, customers of Friend Paper Company, including Friend and Company, are entitled to sell the products bearing these marks; otherwise the right of Friend Paper Company to handle these lines would be meaningless.

ESTOPPEL

Even if there were no laches or acquiescence involved, the plaintiff is nevertheless estopped to maintain this action by reason of its actions and conduct which lulled the defendants into a sense of security on which they relied in building up their plant and business. Plaintiff should not be permitted to stand idly by and watch the plant and business of defendant Friend and Company build up until it reached its present large proportion and then come into court with an action calculated to cripple it and take over the goodwill generated by that defendant in the western states.

The Memorandum of Decision in holding an absence of

laches (Ct 476, 477) considered only one of the many incidents referred to as showing H. A. Friend and Company being alerted and knowing of the activities complained of, namely, the letter from the Lycette law firm in Seattle dated April 3, 1957 to which Harley Friend replied on April 5, 1957 (Exh. AF, AG). This should have been enough. The present suit was not filed until more than 7 years later, on June 17, 1964. This Court has held in Whitman v. Walt Disney Products, Inc., 263 F.2d 229, 120 USPQ 253 (9 Cir., 1958) that any delay of more than 6 years in bringing suit after having knowledge of the facts complained of, is presumed to be laches.

The reason given by the District Court for rejecting the defense of laches in the present case is in the sentences (Ct 476), "However, he took no action with respect to the matter prior to his death two years later, nor did he inform his other sons, who were his partners, concerning it In any event, the first knowledge that Richard, Howard or William had was in August 1962."

William's testimony was that his father had taken the letter without telling any of his sons, and answered it. Even assuming that William Friend's testimony is factually correct, the court's conclusion that H. A. Friend and Company had not been put on notice of Wilber Friend's Pasadena business named Friend and Company, as early as April 1957, is erroneous as a matter of law. Receipt of notice by any firm member is sufficient to charge the firm with notice. 68 CJS 572 (Partnership Sec. 137); In re Fineberg, 36 F.2d 392 (WD NY, 1929); Stork Restaurant Inc. v. Sahati,

166 F.2d 348, 362 (9 Cir., 1948). (Appendix II).

The District Court decision was silent in respect to all of the other incidents and events showing that H. A. Friend and Company had been alerted even much earlier than 1957. These include (1) the visit of Howard Friend to the office of Friend and Company in 1956, (2) the public advertising of Friend Paper Company in Lockwood's Directory continuously since 1948 of its paper marked "Barrister Bond," "Friends" and "Banner Bond," (3) Harley Friend's expression in his letter of April 20, 1949 (Exh. N) that he knew of Friend Paper Company's intention to use all of the marks involved in this suit and that H. A. Friend and Company did not have exclusive rights to any of them as they were all "free-marks" excepting "Barrister Bond" which only Gilbert could control, (4) the testimony of Wilber Friend that he had visited the members of his family who are members of H. A. Friend and Company, a number of times throughout the 1950's and had given one or more of his brothers his business card bearing the name Friend and Company, (5) the fact that Wilber Friend's son and daughter had both worked at times during the 1950's at H. A. Friend and Company in Zion.

The Decision of the District Court did not give any consideration to the factor of estoppel, urged by defendants-appellants, arising from the fact that the defendants had started business in California from nothing and had built it up to a substantial amount with heavy expenditures in reliance on the acquiescence (except for Barrister Bond) of Harley Friend in the use of the trade names

and trademarks involved.

Richard, Howard and William Friend, by the present action, are attempting to upset what their father had settled and decided in 1949 and did not see fit to disturb in 1957.

Menendez v. Holt, 128 U.S. 514, 32 L.Ed. 526, 9 S.Ct. 143 (1888) states the general proposition that bare laches alone, while constituting a bar to the recovery of damages and profits, will not ordinarily bar an injunction, but also points out that an injunction can be barred by long acquiescence or extenuating circumstances such as estoppel or inequity. W. A. Gaines & Co. v. Rock Spring Distilling Co., 226 F. 531 (C.A. 6, 1915); Landers, Frary and Clark v. Universal Cooler Corp. et al, 85 F.2d 46, 30 USPQ 248 (C.A. 2, 1936); Anheuser Busch Inc. v. DuBois Brewing Co., 175 F.2d 370, 81 USPQ 423 (C.A. 3, 1949).

X

REGISTRATION NOS. 655,848 AND 544,450 FOR "FRIENDS" AND "FRIENDS LINEN" RESPECTIVELY, AND NO. 274,875 FOR "BARRISTER BOND" SHOULD BE CANCELLED.

Defendants-appellants counterclaim for cancellation of Registration No. 655,848, 544,450 and 274,875, under the provision of Lanham Act Sec. 37 (15 USC 1119) (Appendix II). If defendants-appellants have the right to use "Friends" and "Bar-rister," and their trade names Friend Paper Company and Friend and Company, as they contend above, they are damaged by the registrations which should therefore be cancelled.

XI

DEFENDANTS-APPELLANTS ARE ENTITLED TO A DECLARATION OF THEIR RIGHT TO CARRY ON THEIR BUSINESSES.

In the light of the arguments and facts set forth hereinabove, defendants-appellants should be entitled to a declaration that they are free to carry on their businesses as previously, under their respective names Friend Paper Company and Friend and Company, and under the marks "Barrister," "Banner," "Friend" and "Friends."

XII

CIVIL ACTION NO. 66-470-WPG, APPEAL NO. 22489A, SHOULD BE DISMISSED FOR LACK OF JURISDICTION AND FOR FAILURE TO STATE A CLAIM FOR WHICH RELIEF MAY BE GRANTED.

In respect to this action, the District Court's Memorandum of Decision states (Ct 475):

"The plaintiff is entitled to, and will be accorded, an injunction against further misrepresentations by the defendants concerning the quality of their merchandise. See Chamberlain v. Columbia Pictures Corp., 186 F.2d 923, 924 (9 Cir. 1951)."

On or about June 9, 1966 defendants-appellants presented their Motion to Dismiss this action on the above-captioned grounds (Ct 253), citing Chamberlain v. Columbia Pictures Corp., supra, which motion was denied by the Court in an order entered on or about August 7, 1966, but without prejudice to the right of defendants

to renew the motion during the trial and maintain the defense, which defendants did.

The Court's ruling was based on 15 USC 1125(a) (Appendix II) (Ct 474), which has held not to cover false description or false advertising or sale of inferior products.

The leading case in the 9th Circuit is Chamberlain v. Columbia Pictures Corp., 186 F.2d 923, 89 USPQ 7 (1951) in which the defendant therein sought to produce a movie falsely advertising it as originating with Mark Twain, whose heir brought the action under 15 USC 1125(a) for false advertising. This Court said, at 186 F.2d 923, 925, 89 USPQ 7, 9,

"At first blush it might be said that the allegations made fit snugly into the provisions of §1125, Title 15 USCA. However, we do not think said section changes the fundamental requirements necessary to sustain a suit for unfair competition, one such requirement being a direct injury to the property rights of a complainant by passing off the particular goods or services misrepresented as those of complainant. Deceiving the public by fraudulent means, while an important factor in such a suit, does not give the right of action unless it results from the sale of the goods as those of the complainant."

The Massachusetts District Court in arriving at a similar result in Sampson Crane Co. v. Union National Sales, Inc., 87 F. Supp 218, 83 USPQ 507 (DC Mass. 1949) affirmed 180 F.2d 896, 96 USPQ 454 (1st Cir. 1950), said at 87 F.Supp 218, 222 that the

section must be limited "to that 'unfair competition' which has been most associated with the misuse of trademarks, i. e., the passing off of one's own goods as those of a competitor."

Although the Complaint alleges passing off the alleged low grade envelopes and paper as the product of the plaintiff, the basic cause of action in this case is the sale of inferior goods, which cannot be made into a passing off type case simply by using the words "passed off."

There is not any evidence nor even any allegation that the alleged misrepresentations of fiber content relate in any way to misrepresenting defendants' products as those of the plaintiff. Whatever passing off could be involved on these appeals is involved in the first case, Civil Action 64-805-WPG which alleges likelihood of confusion based on defendants' use of their name and trademarks.

It should be noted here that the 3rd Circuit and the District of Columbia in the cases of L'Aiglon Apparel, Inc. v. Lana Lobelle, Inc., 214 F.2d 649 (3 CCA, 1954) and Gold Seal Co. v. Weeks, 129 F.Supp 928 (DC DC, 1955), affirmed 230 F.2d 832, cert. denied, 352 U.S. 829, appear to disagree with the 9th Circuit and the 1st Circuit in respect to the scope of 15 USC 1125(a).

Glenn v. Advertising Publications, Inc., 251 F. Supp. 889, 148 U.S.P.Q. 645 (SD NY, 1966) and General Pool Corp. v. Hallmark Pool Corp., 259 F. Supp. 383, 151 U.S.P.Q. 372 (ND Ill., 1966) appear to agree with the 1st and 9th Circuit holdings in Chamberlain and Sampson Crane, supra.

XIII

THERE SHOULD BE NO AWARD OF ANY
DAMAGES TO THE PLAINTIFF NOR OF ANY
OF THE DEFENDANTS' PROFITS.

If defendants-appellants prevail in their appeals there should be no monetary assessments against them. The following discussion is on the contingency they do not prevail.

The District Court found that the "acts of trademark infringement on the part of the defendants resulted in actual damages to the plaintiff" in the sum of \$5,000, which it trebled under 15 U.S.C. 117 to the sum of \$15,000. In arriving at the amount of \$5,000 actual damages, the Court said (Ct 477):

"Most of the sales thereby lost by the plaintiff to the defendants quite apparently were small in dollar amount; and to seek to identify each of them through an accounting would be relatively expensive and basically impracticable. However, the court interpolates and finds from the evidence presented that the plaintiff's actual damages in the respects here under consideration are at least the sum of \$5,000."

There is no indication of how the \$5,000 was reached, nor the nature of the interpolation. The sales chart, Exh. AK, does not indicate any damage, that is, lost sales to the plaintiff, as there was a slight rise in its western state sales from the 1940's to the 1950's.

Damages cannot be arrived at arbitrarily, and the finding that even an accounting would be basically impractical indicates that the \$5,000 could not even be a probable estimate. The measure of recovery of damage is not what the defendant has gained but what the plaintiff has lost, that is, lost profits to the plaintiff, and they must be shown by sufficient evidence. Coupe v. Royer, 155 U.S. 565, 581, 39 L.Ed. 263, 269 (1894); Aro Mfg. Co. v. Convertible Top Replacement Co., 377 U.S. 476, 507, 12 L.Ed.2d 457, 480; Harley and Lund Corp. v. Murray Rubber Co., 31 F.2d 932, 933 (2nd Cir. 1929), cert. denied 279 U.S. 872, 73 L.Ed. 1007 (1929).

The District Court correctly refrained from awarding any profits of the defendants for the reason that no profits of defendants are in evidence and furthermore there is no evidence that any profits of defendants are due to the alleged infringements. There is no evidence that the 3,500 customers of Friend and Company including 500 in California (Rt 432) bought their goods because of any trademarks of H. A. Friend and Company. Where goods bearing an infringing trademark are sold for profit, and the purchasers bought the goods because of the infringer's recommendation or his reputation or any other reason than response to the

appeal of the trademark owner's symbol, the trademark owner is not entitled to the infringer's profits. Mishawaka Rubber and Woollen Mfg. Co. v. S. S. Kresge Co., 316 U.S. 203, 86 L. Ed. 1381 (1942), rehearing denied 316 U.S. 712, 86 L. Ed. 1777.

The Lanham Trademark Act Sec. 35, 15 U.S.C. 1117, does not allow the infringer's profits except to the "registrant of a mark registered in the Patent Office". The only registration in suit owned by the plaintiff is the "Friends" registration No. 655,848. The plaintiff, never having had even colorable title to the "Barrister Bond" registration until the latter part of 1965, after the filing of the suit, does not even have a cause of action on that. There is no showing of any particular amount of profit made by defendants on account of any alleged infringement of the "Friends" registration.

Lanham Act Sec. 35 does not require the court to assess any profits or damages at all, but only "subject to the principles of equity"; and also any assessment is subject to the provisions of Secs. 29 and 32. Sec. 29 (15 U.S.C. 1111) (Appendix II) provides that no damages or profits are recoverable unless the plaintiff displayed with his mark as used a notation to the effect that it was registered in the U. S. Patent Office, or else that the defendant had actual notice of the registration (15 U.S.C. 1111). There is no evidence of any such notice of any marks as used in plaintiff's goods, or that defendants had any actual knowledge of the "Friends" registration until plaintiff filed its suit, nor that plaintiff even purported to own the "Barrister Bond" registration,

until long after the filing of the suit.

It is submitted that the actual damages found by the court should not have been trebled to \$15,000 for the reason that the defendants had ample reason for believing that they had a right to use all the marks and trade names in suit, for the reasons discussed hereinabove. Trebling damages would greatly exaggerate the magnitude of the relatively few instances where customers were deceived by the reference to "Western Division", "Zion", "1908" and the map.

The Memorandum of Decision holds that the misrepresentations of cotton fiber content resulted in damage under 15 U. S. C. 1125(a) of not less than \$20,000, for which judgment was given (Ct 477, 478), but no basis for that or any other figure is stated, and it appears to be an arbitrary figure. The finding of the court was that (Ct 475) "of much greater concern to the plaintiff from the standpoint of damage, is the likelihood that in future years people who have bought stationery from the defendants will become aware of the poor quality and will quietly determine never again to purchase 'Friends' papers". This apparently refers to the testimony of Gilbert's officer noted in the Decision (Ct 474) to the effect that 100% cotton fiber lasts 100 years, 50%, 50 years and 25%, 25 years. Thus there would be a wait of 25 years before any such awareness would occur - and only a minor part of defendants' paper is of the 25% grade. Only a minor part of defendants' products were the subject of any errors in advertising. Much of the error occurred in respect to envelopes, which are thrown

away immediately on receipt by the addressee, and do not have time to deteriorate.

The Court further held (Ct 475) that "it is impossible to determine the full extent to which the false descriptions herein concerned have damaged the plaintiff already and will cause further injury in the future". It is submitted that the damage found by the Court is without sufficient foundation and is too speculative and should be reversed.

There is no evidence of any damage or even of any sales lost by plaintiff on account of the alleged misrepresentations. Of the approximately 26,000 lawyers in California (Exh. AR) appellee has about 15 of them and appellant has about 425-450 of them. There is no reason for supposing that any customers which Friend and Company might have obtained by a low price made possible by "inferior goods" would have gone to appellee if the goods were not "inferior".

XIV

NO ATTORNEY'S FEES SHOULD BE AWARDED TO PLAINTIFF-APPELLEE.

The District Court awarded \$30,000 attorneys' fees (Ct 478) citing National Van Lines v. Dean, 237 F.2d 688 (9 Cir. 1956). However, the later case of Maier Brewing Co. v. Fleischmann Distilling Corp., 359 F.2d 156, 149 U.S.P.Q. 89 (9 CCA, 1966), affirmed by the Supreme Court in Fleischmann Distilling Corp.

v. Maier Brewing Co., 386 U.S. 714, 18 L. Ed. 2d 475, 87 S. Ct. 1404, leaves no basis in National Van Lines v. Dean for awarding any attorney's fees, as the Supreme Court has affirmed that attorney's fees cannot be awarded in Lanham Act cases even when there is deliberate infringement. Both of the present actions and the judgment of the District Court are based on the Lanham Act.

Where, as here, the district court does not set forth the basis on which the attorney's fees are awarded, the award should be set aside. Dubil v. Rayford, Camp & Co., 184 F.2d 899, 902 (9 CCA, 1950); Speed Corp. v. Webster, 262 F.2d 482 (9 CCA, 1959).

Furthermore, appellants had good reason for believing they had meritorious defenses, hence attorney's fees should not be awarded in any event. Park-In Theatres v. Perkins, 190 F.2d 137, 142, 90 U.S.P.Q. 163, 167 (9 CCA, 1951).

XV

DEFENDANTS-APPELLANTS SHOULD NOT
BE ENJOINED FROM USING "BAR-BOND."

The Court's injunction on "Bar-Bond" was based on Wilber Friend's mental attitude that Bar is an abbreviation of "Barrister." The real question is, however, the customer's mental attitude, for the issue is likelihood of confusion of the customer. It is submitted that "Bar" is not likely to be confused with "Barrister."

XVI

THERE SHOULD BE NO INJUNCTION AGAINST
USE OF "FRIEND," "FRIENDS," "BANNER,"
"BARRISTER BOND" OR "FRIEND AND COMPANY."

If defendants-appellants prevail in their defenses and arguments herein, then there should be no such injunction.

XVII

DEFENDANTS-APPELLANTS SHOULD NOT BE
ENJOINED FROM OPPOSING THE APPLICATION
TO REGISTER "BANNER."

An Opposition in the Patent Office is a well-known and frequently used proceeding to protect an Opposer and the public from improper issuance of trademark registrations, and appellants should not be prevented from exercising their right to oppose.

XVIII

DEFENDANTS-APPELLANTS SHOULD NOT BE
ENJOINED FROM USE OF "FRIEND PAPER
COMPANY" OUTSIDE THE WHOLESALE
BUSINESS.

Plaintiff's acquiescence in the name Friend Paper Company, effected through the silence of Harley Friend when told about it in 1948, should not be construed as imposing limitations on the scope of its business. Harley's silence could not indicate to Wilber that there was any such limitation on the acquiescence. The limitation to the wholesale business represents appellee's present wish, but not the understanding of Harley and Wilber Friend in 1948.

XIX

DEFENDANTS-APPELLANTS SHOULD NOT BE ENJOINED FROM ASSERTING THEIR BUSINESS BEGAN PRIOR TO 1950 OR HAS RELATIONSHIP WITH ZION OR THAT THE PASADENA ESTABLISHMENT IS THE DIVISION OF ANY COMPANY.

Friend Paper Company was Wilber Friend's sole proprietorship in 1949, and if appellants' argument prevails, as early as the 1930's. In the same period, it had its post office address in Zion without objection from appellee, hence should be entitled to continue it for business purposes. If it be held that appellants are entitled to continue to use "Friend and Company", it cannot harm the appellee to state that it is a division of Friend Paper Company. If the injunction against use of the name Friend and Company is affirmed, then a reference that its new company name is a division of Friend Paper Company or of some other company cannot affect appellee. No injunction should be so broad as to prevent appellants from opening a business office and address in Zion if they should wish, as they had done in 1949 and earlier.

XX

DEFENDANTS-APPELLANTS SHOULD NOT BE ENJOINED FROM SELLING STATIONERY OF DIFFERENT QUALITY FROM ADVERTISED.

Appellants have already corrected all known errors in their catalogs and do not intend to resume them; hence the injunction is not important. However, as a legal point, there should be

no injunction without a valid cause of action, and for the reasons argued herein, Lanham Act Sec. 43(a) (15 U.S.C. 1125[a]) did not give the appellee any cause of action.

XXI

FINDINGS OF FACT OF THE DISTRICT COURT ARE ERRONEOUS.

The erroneous findings of the District Court appear at various places in its Memorandum of Decision and without formal numbering. The errors have been pointed out hereinabove under pertinent captions.

CONCLUSION

It is respectfully submitted that this Court should find:

1. That the Complaints should be dismissed and the injunctions vacated.
2. That defendants-appellants have the unrestricted right to use "Friend", "Friends", "Friend Paper Company", "Friend and Company", "Barrister" and "Banner", and the like, in connection with their stationery products and their business.
3. That the "Friends" and "Barrister Bond" trademarks and registration Nos. 655,848 and 274,875 are invalid, and that these registrations and also the "Friends Linen" registration No. 544,450 should be cancelled.

4. That the plaintiff-appellee's suit be held barred by laches, acquiescence and estoppel.

5. That no monetary award or attorney's fees be granted to plaintiff-appellee.

6. That the District Court's Findings of Fact and Conclusions of Law, referred to in the Assignment of Errors herein, are in error, and that the portion of the judgment of the District Court holding the alleged trademarks of appellee valid, should be reversed, as should that portion awarding monetary recovery and attorney's fees to appellee.

DATED: At Pasadena, California

June 12, 1968.

Respectfully submitted,

ANGUS & MON

D. GORDON ANGUS

ROBERT M. ANGUS

By D. GORDON ANGUS

Attorneys for Defendants -
Appellants.

CERTIFICATE

I certify that, in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

/s/ D. Gordon Angus
D. GORDON ANGUS

1941 1942 1943 1944 1945 1946 1947 1948 1949 1950 1951 1952 1953 1954 1955 1956 1957 1958 1959 1960 1961 1962 1963 1964 1965 1966 1967

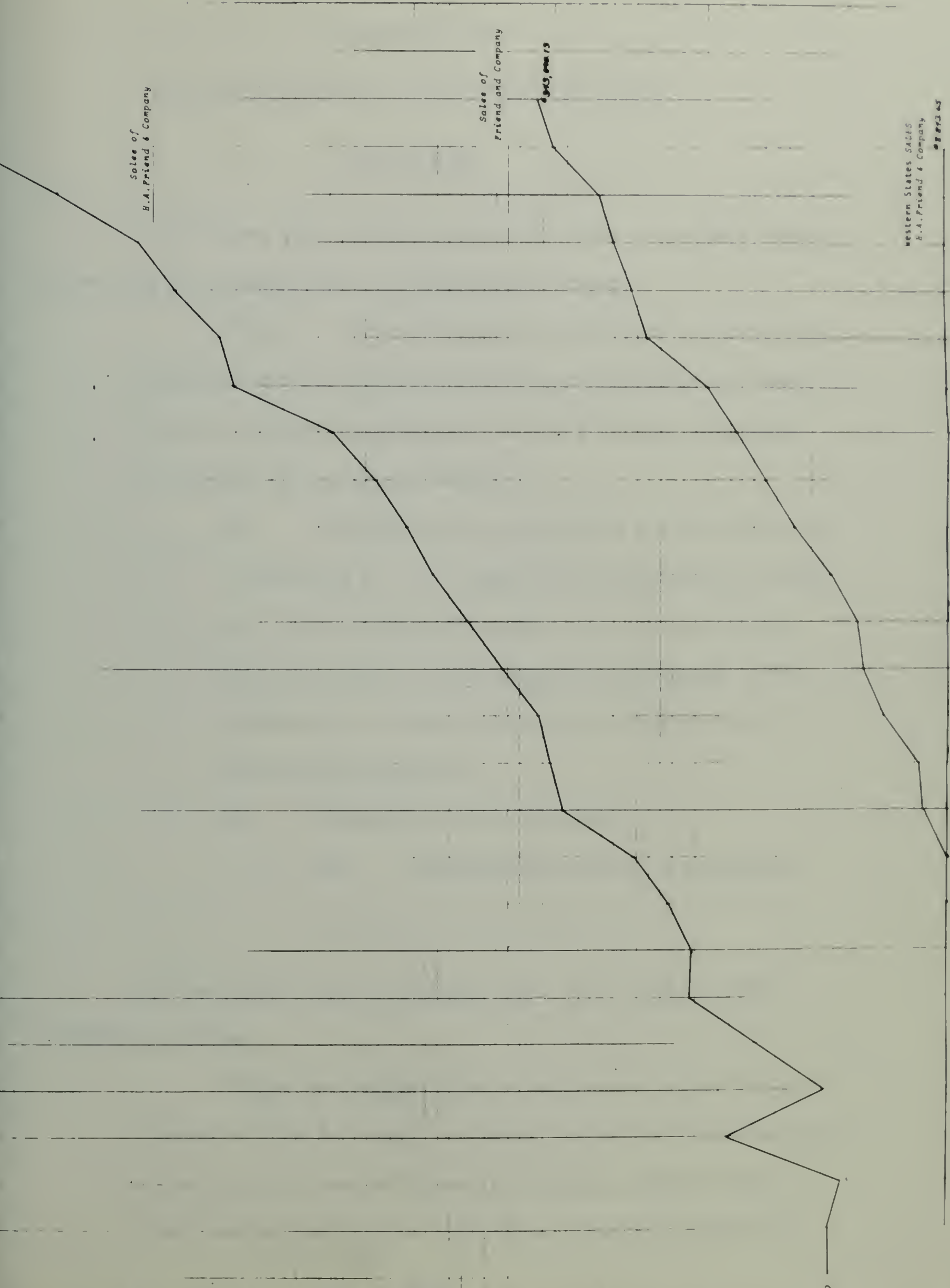
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Sales of
Friend and Company

Western States Sales
H.A. Friend & Company

8871365



APPENDIX II

Pertinent Statutes, Cases and Authorities

STATUTES

A pertinent part of the Lanham Act Sec. 2 (15 USC 1052), governing the registration of trademarks reads:

"Sec. 2. No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the Principal Register on account of its nature unless it

(d) Consists of or comprises a mark which so resembles a trade name previously used in the United States by another and not abandoned, as to be likely, when applied to the goods of the applicant, to cause confusion or mistake or to deceive purchasers

(e) Consists of a mark which

(3) is primarily merely a surname."

The pertinent part of Lanham Act, Sec. 8(a) (15 USC 1058[a]) provides:

"That the registration of any mark under the provisions of this Act shall be cancelled by the Commissioner at the end of 6 years following its date, unless within 1 year next preceding the expiration of such 6 years the

registrant shall file in the Patent Office an affidavit showing that said mark is still in use "

Lanham Act, Sec. 10 (15 USC 1060) provides:

"A registered mark or a mark for which application to register has been filed shall be assignable with the goodwill of the business in which the mark is used, or with that part of the goodwill of the business connected with the use of and symbolized by the mark, Assignments shall be by instruments in writing duly executed An assignment shall be void as against any subsequent purchaser for a valuable consideration without notice, unless it is recorded in the Patent Office within three months after the date thereof or prior to such subsequent purchase. "

Lanham Act, Sec. 14 (15 USC 1064) provides:

"Any person who believes that he is or will be damaged by the registration of a mark on the principal register may [apply] to cancel said registration

(c) At any time if the registered mark
has been abandoned, or its registration was
obtained fraudulently "

Lanham Act, Sec. 15 (15 USC 1065) provides:

"Except on a ground for which application to cancel may be filed at any time under subsections (c) and (e) of section 14 of this Act, the right of the registrant to use such registered mark in commerce shall be incontestable: Provided that:

(3) an affidavit is filed setting forth
[that] such mark has been in continuous use for
[the preceding] 5 consecutive years"

Lanham Act, Sec. 19 (15 USC 1069) provides:

"In all inter partes proceedings equitable principles of laches, estoppel and acquiescence, where applicable, may be considered and applied."

Lanham Act, Sec. 33(b) (15 USC 1115[b]) provides:

"If the right to use the registered mark has become incontestable under section 15 hereof, the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the affidavit filed under the provisions of said section 15 subject to any conditions or limitations stated therein except when one of the following defenses or defects is established:

- (1) That the registration or the incontestable right to use the mark was obtained fraudulently; or
- (2) That the mark has been abandoned by the registrant; or
- (3) That the registered mark is being used, by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services in connection with which the mark is used; or
- (4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a trade or service mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe to users the goods or services of such party, or their geographical origin; or
- (5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to registration of the mark under this Act or publication of the registered mark under subsection (c) of section 12

of this Act; Provided, however, That this defense or defect shall apply only for the area in which such continuous use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this Act or publication under subsection (c) of section 12 of this Act of the registered mark of the registrant, and not abandoned; Provided, however, That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the antitrust laws of the United States."

Lanham Act, Sec. 37 (15 USC 1119) reads:

"In any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Commissioner, who shall make appropriate entry upon the records of the Patent Office, and shall be controlled thereby."

Lanham Act, Sec. 43(a) (15 USC 1125[a]) provides:

"Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation."

EXCERPTS FROM CASES
(Alphabetically Arranged)

In Academy of Motion Picture Arts and Sciences v. Benson, 15 C.2d 685, 690 (1940), the court, quoting 63 Corpus Juris 394 (now 87 CJS, 321-322) stated:

"If plaintiff proves that the name or word has been so exclusively identified with his goods or business

as to have acquired a secondary meaning, so as to indicate his goods or business and his alone, he is entitled to relief against another's deceptive use of such items, but if he fails in such proof he is not entitled to relief "

In Gallo v. Safeway Brake Shops of La., Inc., 140 So.2d 915 (La. App. 1962), the court said in quoting 87 CJS 235:

"Where two users of the same or similar trademark occupy essentially different territory, each is entitled to its exclusive use in his own territory as against the other, regardless of which was the earlier user "

In R. L. Bennett & Sons v. Farmers Seed and Gin Co., 288 F. 365 (CA 5, 1923), headnote 3 reads:

"Trademarks may be lost by acquiescence in their use by others, and where plaintiffs sold cotton seed of considerable value and accepted payment therefor with full knowledge and acquiescence that the seed would be used by the buyer in the cotton seed business, and the cotton grown therefrom and the cotton seed thereby produced would be advertised and sold as 'Bennett's New Cotton,' and the plaintiff assisted in the preparation of defendant's advertising matter, and advised as to new methods of ginning, plaintiffs were estopped from con-

tending that the name 'Bennett's New Cotton' was an exclusive trademark, which defendants were not permitted to use. "

Tomsky v. Clark, 73 CA 412, 238 P. 520 (1925) contains the following statement:

"First, 'that by care, attention, skill and strict adherence to business.' they had built up an 'extensive and profitable' business; and secondly, that defendants, by fraudulent use of the corporate name and by unfair and fraudulent practices, were deceiving and misleading the public, and were thereby seeking to deprive plaintiffs of their customers and trade. "

OTHER AUTHORITIES

In the text, Callmann on Unfair Competition and Trade-marks, 2nd Edition, published 1950, Volume 3, at page 1338, the following appears:

"Sec. 79.1. Abandonment, Loss of Distinctiveness, Estoppel by Laches, Distinguished.

...

(1) A trademark owner may abandon his right, or more correctly, forfeit his right by abandonment. In other words, he consciously transfers or surrenders his claim to the mark by consenting to its use by others.

This we may call actual acquiescence.

(2) A trademark owner may be estopped from challenging the use of his mark by another if, because of his laches, i. e., failure to voice timely objection, the junior user developed a trademark in the belief that his use was unobjectionable. The latter may have been unaware of the trademark owner's right, or may have reasonably assumed that the trademark owner's failure to protect connoted acquiescence. This we may call 'apparent' acquiescence or acquiescence by operation of law "

68 CJS 572 (Partnership, Sec. 137) states:

"Whatever one partner does in the course and scope of the partnership business is the act of the firm and all the partners and is binding on them, notwithstanding that it is done without the knowledge or consent of the other partners. " Citing In re Fineberg, 36 F.2d 392 (WD NY, 1929).

68 CJS 629 (Partnership, Sec. 175) states:

"Notice to, or knowledge of, an acting partner with respect to any matter relating to a transaction within the ordinary scope of the firm's business is notice or knowledge as to all the partners, including those sub-

sequently admitted to the firm" Citing Stork Restaurant, Inc.
v. Sahati, 166 F.2d 348, 362 (9 Cir. 1948).

APPENDIX III

<u>EXHIBIT</u>	<u>FOR IDENTIFICATION Reporter's Transcript</u>	<u>IN EVIDENCE Reporter's Transcript</u>
1 to 3	7	7
4 to 7	7	
8	7	7
9	7	
10 to 15	7	7
16 and 17	7	
18	7	7
19 to 31	7	
32 (94)	7	162
33 to 49	7	
50	7	7
51 to 74	7	
75	7	278
76 to 83	7	
84 to 87	7	7
109	164	165
111		167
132	269	271
154 and 155		155
177		159
204 (240)	116	115
205 to 207	116	115
227		177

<u>EXHIBIT</u>	<u>FOR IDENTIFICATION Reporter's Transcript</u>	<u>IN EVIDENCE Reporter's Transcript</u>
234		191
235 to 237		192
238 to 240		193
242		193
243 to 246		194
247		195
248		196
249 to 251		196
257		197, 210
261		208
262		208
263		208
264		208
265		209
266		210
267		209
268		209
279	280	
281	271	274
282	261	267
283	260	267
304		212
305		212
306		212

<u>EXHIBIT</u>	<u>FOR IDENTIFICATION Reporter's Transcript</u>	<u>IN EVIDENCE Reporter's Transcript</u>
308		306
309		306
311	121	126
312	126	131
315	126	131
316	132	
359 and 360	126	
361	126	
389 and 390	131	
392 to 405	131	
407	131	
411	197	197
413-A to 413-D	471	474
414 to 422	484	508
423 to 425	524	526
426	529	
A	312	315
B	323	331
C		332
E		335
G	349	351
H	352	354
I	286	289
J	354	358

<u>EXHIBIT</u>	<u>FOR IDENTIFICATION Reporter's Transcript</u>	<u>IN EVIDENCE Reporter's Transcript</u>
K	358	360
L to Z		372
AA to AI		386
AJ		413
AK	407	409
AL		385
AM		385
AO to AT		385
AX and AY		385
AZ		430
BA, BB and BC		385
BH		450
BI		454
BJ		455
BK		527

